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Supreme Court, U.S.
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In the Supreme Court of the United States

OCTOBER TERM, 1959

No. 404

KENNECOTT COPPER CORPORATION, a corporation,
Petitioner,

vs.

PUEBLO ATLAS RESEARCH LABORATORIES, INC., a corporation,
Respondent.

Petition for the Writ of Certiorari

To the United States Court of Appeals for the Ninth Circuit

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In the Supreme Court of the United States

OCTOBER TERM, 1959

No. .....

KEMART CORPORATION, a corporation,
Petitioner,

vs.

PRINTING ARTS RESEARCH LABORATORIES, INC., a corporation,
Respondent.

Petition for the Writ of Certiorari

To the United States Court of Appeals for the Ninth Circuit

Petitioner prays that the writ of certiorari issue to review a judgment of the United States Court of Appeals for the Ninth Circuit entered on its Docket No. 15638 on June 17, 1959.

CITATIONS TO OPINIONS BELOW

The District Court made two opinions; the first (R. 20-26) is reported at 146 F. Supp. 21, and the second (R. 67-69) is unreported. The opinion of the Court of Appeals (R. 318-348) is not as yet officially reported, is unofficially reported in 122 USPQ 56, and is attached hereto as Appendix A.

JURISDICTION

The judgment of the Court of Appeals was entered on June 17, 1959 (R. 349). Jurisdiction of this Court is invoked under U.S. Code, Title 28, Section 1254(1).

QUESTION PRESENTED

Where a patentee, at a national trade convention held in Ohio, publishes written charges that its competitor and its competitor's process licensed to the industry both infringe the patentee's patent, and where the patentee subsequently repeats such charges in advertising and in press releases published in a national trade journal, and where such charges are later determined to be false, is it a complete defense to a claim for damages that the publications were privileged because the patentee reasonably and in good faith believed the charge of infringement to be true and that it was not prompted by malice and made the publications to interested persons?

TREATIES AND STATUTES INVOLVED

The treaty involved is The International Convention for the Protection of Industrial Property [The Paris Convention], signed at Paris on March 20, 1883 (25 Stats. 1372) as amended at conferences held respectively at Brussels (32 Stats. 1936), Washington (38 Stats. 1645), The Hague (47 Stats. 1789), and London (53 Stats. 1748). Article 10 *bis* as amended at the London conference is particularly relied upon. Excerpts including Article 10 *bis* and other pertinent treaty provisions are printed and attached hereto as Appendix B.

The statutory provisions involved are the title and sections 44 and 45 of The Lanham Trademark Act of July 5, 1946 (60 Stats. 427, U.S. Code, Title 15, Sections 1126 and 1127). Excerpts including those portions upon which petitioner relies are printed and attached hereto as Appendix C.

STATEMENT OF THE CASE

Petitioner, Kemart Corporation, brought this civil action against respondent, Printing Arts Research Laboratories, Inc., praying among other things (a) for declaratory judgment that Walter Marx Patent 2,191,939 was invalid and not infringed by petitioner and (b) for damages resulting to petitioner from respondent's "wrongful acts and doings" (R. 3-9). The complaint charges that "defendant has circulated letters and statements that plaintiff's process, the Kemart Process, is an infringement" of respondent's patents (Para. 15, R. 7); alleges that the Kemart Process is not an infringement of respondent's patents (Para. 13 and 14, R. 7); and claims loss and damage resulting from respondent's letters and statements (Para. 15, R. 7).

After certain proceedings not directly involved in this petition,* the District Court granted a full hearing on the issue of liability (R. 81-251) "reserving any detailed evidence (accounting, etc.) on the question of the amount of damages until a ruling was made on the legal question of *liability*." (R. 329, Appendix A, p. 12; see also R. 99-101); made a memorandum Order dismissing petitioner's claim for damages and attorneys' fees (R. 20-26; see also 146 F. Supp. 21); and entered Findings of Fact, Conclusions of Law and Judgment accordingly (R. 26-32). After denial of a

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*Respondent counterclaimed for an assessment of damages against petitioner for alleged patent infringement (R. 13-15). The District Court adjudged that Kemart was guilty of infringing all of the claims of said patent except claims 5 and 7 (R. 322, Appendix A, p. 5) but the Court of Appeals found that the Kemart Process did not infringe the Marx Patent and reversed the District Court with instructions to dismiss respondent's counterclaim (R. 322, Appendix A, p. 5; see also *Kemart Corp. v. Printing Arts Research Laboratories* (9th Cir. 1953), 201 F.2d 624).

On return of the mandate, petitioner sought an assessment of damages and attorneys' fees under the prayer of the complaint; the District Court refused to consider petitioner's claim for damages and attorneys' fees; but the Court of Appeals held that petitioner was entitled to a determination on the merits of its claim for damages and attorneys' fees (R. 322; see also *Kemart Corporation v. Printing Arts Research Lab.* (9th Cir. 1956), 232 F.2d 897).

timely motion to amend (R. 32-54, 55), petitioner brought a motion to vacate based in part upon The Paris Convention (R. 56-67) which was also denied (R. 67-68). The Court of Appeals affirmed the District Court (R. 318-348, Appendix A; see also ..... F.2d ....., 122 USPQ 56).

The Court of Appeals noted the following facts which are pertinent to this petition:

1. Petitioner and respondent have been competitors in their respective businesses of granting licenses under their respective "Kemart" and "Fluorographic" processes since June, 1947 (R. 323, Appendix A, p. 6; see also Finding 1-C, R. 27).

2. On October 7, 1948, at the opening day of a national convention of the American Photoengravers Association held at Cleveland, Ohio, respondent exhibited a certain letter dated October 6, 1948 charging petitioner with patent infringement (R. 326, Appendix A, p. 6). The opinion notes the full text of this letter (R. 325-326, Appendix A, p. 8). Petitioner calls attention to the following allegations:

> "Anyone who practices the Kemart process infringes several claims of your patent [No. 2,191,939] aforesaid.
>
> "The Kemart Corporation, sponsor of the Kemart process, is contributorily infringing such patent when it furnishes infringers thereof with supplies, equipment and instructions facilitating their practice of such Kemart process.
>
> "The Kemart process, in which is employed the so-called Kemart neutralizer (a material absorptive of ultra-violet light) is but a variation of the fluorographic process as disclosed in your subject patent—a variation of the fluorographic process which plainly falls within and is covered by a number of patent claims. * * *
>
> "* * * Even if the Kemart neutralizer were not absorptive of ultra-violet light, the Kemart process would still infringe your herein discussed patent, and more particularly claim 12 thereof; but since such neutralizer is in fact absorptive of ultra-violet light, infringement of several additional claims of the patent by the Kemart process is abundantly clear."

The persons to whom respondent exhibited this letter included two men who "were active in 'trade' operations connected with the business of distributing photoengraving supplies in this country" and the "editor of the 'Photoengravers Bulletin', a national magazine devoted to publication of matters of interest to those in the photoengraving business" (R. 324, Appendix A, p. 7).

3. In May, 1949 respondent caused to be published in The Photoengravers Bulletin, a trade journal which was circulated to those engaged in the photoengraving industry and which was printed in Illinois, a full page advertisement and news release relating to the litigation between petitioner and respondent (R. 324, fn. 4, R. 328, 344, Appendix A, pp. 11, 28); reproduced as Exhibit 34 (R. 263-265). Petitioner calls attention to the following allegations:

> "Kemart Licensees Liable to Lawsuit
>
> "* * * any maker of halftone negatives from wash drawings by the Kemart Process is liable to suit for direct infringement of the Marx Patent No. 2,191,939 * * *.
>
> "* * * the Kemart Corporation of San Francisco is charged with contributory infringement of such patent by furnishing to its licensees such equipment and supplies as a special purple lamp and a special illustration board and a so-called 'neutralizer' with the intent and purpose that they be used in direct infringement of such patent.
>
> "* * * our competitor * * * has simulated our patented process, * * *."

4. The letter of October 6, 1948 and the nationwide publication of May, 1959 contain respectively implied and direct threats of infringement actions against petitioner's customers (R. 326, 328, Appendix A, pp. 9, 12).

5. On January 26, 1953, the Court of Appeals for the Ninth Circuit held that the "Kemart" process did not infringe any of the claims of the Marx patent (R. 322, Appendix A, p. 5; see also *Kemart Corp. v. Printing Arts Research Laboratories* (9th Cir. 1953), 201 F.2d 624).

6. The publications in question were made without malice and in good faith to interested parties (R. 346-347; Appendix A, pp. 30-31).

Petitioner does not ask this Court to review these concurrent findings but urges that the courts below erred in the application of the law to these findings.

On the basis of such findings, the District Court found that the publications were privileged under the law of Ohio (Determination (7), R. 22 and Conclusion 6, R. 30-31). In affirming, the Court of Appeals found that the publications were privileged if it be assumed *arguendo* that The Paris Convention is a part of the controlling domestic law of the land; that the Ohio publication was privileged under the Ohio law and that the trade journal publications were privileged under the California law (R. 337-347, Appendix A, pp. 22-31).

REASONS FOR GRANTING THE WRIT

I.

This petition presents important questions directed to the applicability and the construction of the Convention for the Protection of Industrial Property of the Union of Paris as amended at the conference of London on June 2, 1934 (53 Stats. 1780). Article 10 *bis* upon which petitioner relies has never been judicially interpreted by this Court, although Articles 2 and 8 of the original Paris Convention (25 Stats. 1372) were construed in *French Republic v. Saratoga Vichy Co.* (1903), 191 U.S. 427, 438-439; and Article 4 *bis* as adopted at the Brussels conference (32 Stats. 1936) was construed in *Cameron Septic Tank Co. v. Knoxville* (1913), 227 U.S. 39.

A decision by this Court upon the questions presented in this petition and arising under The Paris Convention is of great public importance to our own citizens as well as of international concern.*

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*It was said in *Cheu Heong v. United States* (1884), 112 U.S. 536, 540, that "Aside from the duty imposed by the Constitution to respect

Petitioner prays that this petition be granted on the authority of *Bacardi Corp. v. Domenech* (1940), 311 U.S. 150 where the writ was granted, p. 152 "in view of the importance of the questions" as to the construction and applicability of the related Inter-American Convention; *United States v. Pink* (1942), 315 U.S. 203 where the writ was granted, p. 215, "because of the nature and public importance of the questions raised" by the Litvinov assignment; and *Clark v. Allen* (1947), 331 U.S. 503 where the writ was granted, p. 507, "because the issues raised [by a treaty with Germany] are of national importance."

The Paris Convention (25 Stats. 1372) is an international treaty organization in which this country has been an active participant since shortly after its inception in 1883. This petition seeks review of the applicability and interpretation of Article 10 Bis., section 3, which was adopted at the conference at The Hague on November 6, 1925 (47 Stats. 1789) and was later amended at the conference of London on June 2, 1934 (53 Stats. 1780). The historical development of Article 10 *bis* and its related unfair competition provisions is charted in Appendix D attached to this petition. In its amended form, Article 10 *bis*, section (3), defines acts which "particularly are to be forbidden" as including "False allegations, in the conduct of trade of a nature to discredit the establishment, the goods, or the services of a competitor."

The Paris Convention on its face *particularly forbids* the type of publication here found to be privileged by both the District Court and the Court of Appeals. We note a complete response

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treaty stipulations when they become the subject of judicial proceedings, the court cannot be unmindful of the fact, that the honor of the government and people of the United States is involved in every inquiry whether rights secured by such stipulations shall be recognized and protected." and in *Ware v. Hylton* (1796) 3 Dall. (3 U.S.) 199, 272 that a treaty "is a promise in effect by the whole nation to another nation, and if not in fact complied with, unless there be valid reasons for non-compliance, the public faith is violated."

between the language of The Paris Convention and the conduct for which petitioner seeks redress. We have here:

"False allegations"—the allegations charge petitioner and its customers, as well as the Kemart process, to be infringements upon respondent's patent rights, whereas the Court of Appeals found that the Kemart process did not infringe the respondent's patent (R. 322, Appendix A, p. 5; *Kemart Corp. v. Printing Arts Research Laboratories* (9th Cir. 1953), 201 F.2d 624);

"in the conduct of trade"—the October 7, 1948 publication was at a trade convention in Cleveland, Ohio, and the other publications were in trade journals;

"of a nature to discredit"—the District Court found that "* * * publication of a false charge of patent infringement is likely to prevent others from engaging in business dealings with the alleged infringer" (Determination (6), R. 21) and other courts are in agreement with this view;*

"the establishment, the goods, or the services"—the petitioner's business of licensing its Kemart process is a service;

"of a competitor."—the District Court and the Court of Appeals both found that petitioner and respondent were business competitors (R. 323, Appendix A, p. 6).

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*In this same respect it was said in *American Well Works v. Layne* (1916), 241 U.S. 257, 260, that "What makes the defendants' act a wrong is its manifest tendency to injure the plaintiff's business * * *"; in *Kessler v. Eldred* (1907), 206 U.S. 285, 289, that "No one wishes to buy anything if with it he must buy a lawsuit."; in *Watson v. Trask* (1834), 6 Ohio 532, 533, that "Nothing could have a more direct tendency to the entire destruction of his business"; in *Emack v. Kane* (N.D. Ill. 1888), 34 F. 46, 51-52, that "No businessman wants to incur the dangers of a lawsuit for the profits which he may make as a jobber in handling goods charged to be an infringement of another man's patent. * * * A suit for infringement of a patent is so far outside of the common man's experience that he is terrorized by even a threat of such a suit"; and in *Skinner & Co. v. Shew & Co.* (1892), 1 Ch. 413, 424 that "* * * everybody knows that to be threatened with a patent action is about as disagreeable a thing as can happen to a man in business, and is the thing most calculated to paralyze a man in his business, even if he be innocent of any infringement of patent law."

Thus it stands indisputable upon the concurrent findings below that the respondent's conduct was "particularly * * * forbidden" by Article 10 Bis. of the Convention.

II.

The failure of the Court of Appeals to follow The Paris Convention is in conflict with the supremacy clause of the Constitution, Article VI, Clause 2, which provides:

> "This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the Contrary notwithstanding."

This Court, in the *Head Money Cases* (1884), 112 U.S. 580, stated, pp. 598-599:

> "* * * A treaty, then, is a law of the land as an act of Congress is, whenever its provisions prescribe a rule by which the rights of the private citizen or subject may be determined. And when such rights are of a nature to be enforced in a court of justice, that court resorts to the treaty for a rule of decision for the case before it as it would to a statute."

III.

In failing to find that The Paris Convention is a part of controlling domestic law, the decision of the Court of Appeals is in conflict with controlling decisions of this Court, The Lanham Trademark Act and pertinent decisions of Courts of Appeals.

A. The District Court was of the view that the treaty was not self-executing (R. 68). The Court of Appeals did not rule directly on this question but assumed only "*arguendo* that The Paris Convention is a part of the controlling domestic law of the land." (R. 338, Appendix A, p. 22)

The proclamation of the London redraft of The Paris Convention specified (53 Stats. 1767):

> "Now, Therefore, be it known that I, Franklin D. Roosevelt, President of the United States of America, have caused the said convention to be made public to the end that the same and every article and clause thereof may be observed and fulfilled in good faith by the United States of America and the citizens thereof."

This is certainly self-executing language. The failure of the Court of Appeals to find the treaty self-executing is in conflict with *Bacardi Corp. v. Domenech* (1940), 311 U.S. 150 where this Court, in speaking of the analogous Inter-American Convention, said, p. 161:

> "This treaty on ratification became a part of our law. No special legislation in the United States was necessary to make it effective. (Citations omitted.)"

An earlier view apparently to the contrary in *Cameron Septic Tank Co. v. Knoxville* (1913), 227 U.S. 39, 50, is based upon a specific "sense of Congress" not present in the case of subsequent amendments to The Paris Convention.

If there be any conflict between *Bacardi* and *Cameron* on this issue, the rule of *Bacardi* would appear to be the one applicable to subsequent amendments of The Paris Convention. The Senate advised ratification of both The Paris Convention as amended at The Hague conference and the Inter-American Convention as amended at the Washington conference "without amendment" consecutively on December 16, 1930 (74 Cong. Rec. 844-850, 850-858). The two conventions would thus seem to be *in pari materia*.

The decision is also in direct conflict with *Vanity Fair Mills v. T. Eaton Co.* (2nd Cir. 1956), 234 F.2d 633, 640; and *Master, Wardens, Etc. v. Cribbin & Sexton Co.* (C.C.P.A. 1953), 202 F. 2d 779, 783, both directly relying upon this Court's decision in *Bacardi* to hold that The Paris Convention is self-executing.

B. Even if the rule of law applicable to The Paris Convention were that of the *Cameron* case rather than that of the *Bacardi*, *Vanity Fair* and *Master Wardens* cases, then the decision of the Court of Appeals is nonetheless in conflict with The Lanham Trademark Act, a decision of the Court of Appeals for the Second Circuit and a decision of a different panel of the Court of Appeals for the Ninth Circuit.

Article 10 *ter* of The Paris Convention provides (53 Stats. 1780):

> "(1) The countries of the Union undertake to assure to the nationals of other countries of the Union appropriate legal remedies to repress effectively all acts set forth in Articles 9, 10 and 10 bis."

On July 5, 1946 President Truman signed The Lanham Trademark Act (60 Stats 427, incorporated in U.S. Code, Title 15, Sections 1051 to 1127). The title recites that the act was enacted not only to amend the trademark laws but in addition to "carry out the provisions of certain international conventions." Section 45, U.S. Code, Title 15, Section 1127, includes among its several recitations of "the intent of this chapter" the protection of "rights and remedies stipulated by treaties and conventions entered into between the United States and foreign nations." Sections 44(b) and (h), U.S. Code, Title 15, Section 1126, grant to nationals of foreign countries which are parties to The Paris Convention "effective protection against unfair competition" and the benefits of The Lanham Act "to the extent and under the conditions essential to give effect to any such conventions and treaties." Section 44(i) grants to citizens of the United States the same benefits as those which are granted to nationals of foreign countries. The full text of the foregoing provisions of The Lanham Act is printed in Appendix C attached to this petition.

Petitioner reads in the title of The Lanham Act and in Sections 44 and 45 clear intent to incorporate into our federal domestic

law the unfair competition provisions of The Paris Convention. This same view is expressed in Commentary on The Lanham Trademark Act (U.S.C.A., Title 15, § 81 to § 1113, p. 265 at pp. 284-286) wherein explicit reference is made to Article 10 *bis*, Section 3, upon which petitioner relies. For the convenience of the Court, the full text of this portion of the Commentary is attached to this petition as Appendix E.

The Commentary has been adopted as expository of this phase of The Lanham Act in *Stauffer v. Exley* (9th Cir. 1950), 184 F.2d 962,* at p. 964, fn. 1 and this Court subsequently noted *Stauffer* as one of several "able Court of Appeals discussions" in *Steele v. Bulova Watch Co.* (1952), 344 U.S. 280, 283, fn. 6.

Subsequently *Vanity Fair Co. v. T. Eaton Co.* (2nd Cir. 1956), 234 F.2d 633, cert. den. 1956, 352 U.S. 871, reh. den. 1956, 352 U.S. 913, notes the incorporation of Article 10 *bis* into our domestic law of unfair competition (234 F.2d 640, fn. 10).

On this aspect of the case, petitioner therefore submits that the decision of the Court of Appeals is in conflict with controlling statutes, and pertinent decisions of Courts of Appeals.

IV.

The determination that The Paris Convention "was not intended to preclude any and all defenses of privilege for false statements concerning a competitor's product" (R. 338-339, Appendix A, p. 22-23) is in conflict with controlling rules of treaty construction authoritatively laid down by decisions of this Court.

A. The Court of Appeals ignored the general rule that a treaty is entitled to a liberal construction. It is almost axiomatic that the preferred construction of any treaty is one which is favorable to rights claimed under it. This rule has been held applicable

*The panel which determined the *Stauffer* case comprised Chief Judge Denman and Judges Orr and Pope; the panel which determined the instant case comprised Judge Stephens and Senior Judges Healy and Bone.

to international conventions in *Bacardi Corp. v. Domenech* (1940), 311 U.S. 150, 163:

> "* * * According to the accepted canon we should construe the treaty liberally to give effect to the purpose which animates it. Even where a provision of a treaty fairly admits of two constructions one restricting, the other enlarging, rights which may be claimed under it, the more liberal interpretation is to be preferred: (Citations omitted.)"

And in the application of this rule, it is established that the treaty is applied on its face unless the diplomatic history affords a different conclusion. This is noted in *Factor v. Laubenheimer* (1933), 290 U.S. 276, 294:

> "* * * Unless these principles, consistently recognized and applied by this Court, are now to be discarded, their application here leads inescapably to the conclusion that the treaties, presently involved, on their face require the extradition of the petitioner, even though the act with which he is charged would not be a crime if committed in Illinois."

The imposition of a privilege exception restricts rights which may be claimed on the face of the treaty rather than enlarges them. Such a decision therefore seems to be in conflict with the *Bacardi* and *Factor* cases.

B. The Court of Appeals ignored the rule of construction that it is improper to impose implied exceptions upon any treaty and is therefore in conflict with the rule so succinctly stated in *Society for the Propagation of the Gospel v. New Haven* (1823), 8 Wheat. (21 U.S.) 464, 490:

> "* * * The terms in which this article is expressed are general and unqualified, and we are aware of no rule of interpretation applicable to treaties, or to private contracts, which would authorize the court to make exceptions by construction, where the parties to the contract have not thought proper to make them. Where the language of the parties is clear of all ambiguity, there is no room for construction * * *"

Other authorities to the same effect include *The Amiable Isabella* (1821), 6 Wheat. (19 U.S.) 1, 70, 71; *Doe et al. v. Braden* (1853), 16 How. (57 U.S.) 635, 656, 657; *Santovincenzo v. Egan* (1931), 284 U.S. 30, 37; and *Choctaw Nation of Indians v. United States* (1943), 318 U.S. 423, 432.

C. The Court of Appeals ignored the rule of treaty construction that one should look to negotiations leading up to the adoption of the treaty in determining the intent of the parties. In failing to look to the treaty negotiations, the decision is in conflict with controlling authorities of this Court.

This Court in reviewing an earlier version of The Paris Convention in *Cameron Septic Tank Co. v. Knoxville* (1913), 227 U.S. 39 stated, p. 50:

> "* * * If the treaty be construed, as we think it must be construed, in accordance with the declaration of the Conference at the instance of the American delegates, it has no application to the Cameron patent. * * *"

In referring to a different treaty this Court in *Cook v. United States* (1933) 288 U.S. 102 held, page 112:

> "* * * In construing the Treaty its history should be consulted. (citations omitted.) Both its language and its history show that the high contracting parties did not intend so to limit its operation. * * *"

Factor v. Laubenheimer (1933), 290 U.S. 276, 295 is in accord.

Agreeable to the rule that the treaty history should be consulted, petitioner called the official "Actes de la Conference Reunie a La Haye" to the attention of both the District Court and the Court of Appeals. These Actes record the conference discussions preceeding the initial adoption of the provision particularly forbidding the specified false allegations in the conduct of trade. The translation of this official record (R. 59-61) is attached to

this petition as Appendix F. The contracting parties were in entire agreement that "the notion of disparagement is broader than that of defamation, notably that it does not imply an injurious intention"; that "one wishes to hit * * * the fact of discrediting a competitor by affirmations contrary to the truth"; and that "in an international convention the sure and precise criterion of the letter contrary to the truth seems indispensable." (Appendix F., p. 42). Thus it seems crystal clear that those in attendance at the conference did not intend to make any exception requiring proof of malice but that the conference was concerned solely with the truth or falsity of the charge. Recognized students in the field of International Law and Unfair Competition are in agreement.

Stephen P. Ladas, in International Protection of Industrial Property, at page 705, said of Article 10 Bis.:

> "* * * In 'libel' or 'slander' there must be fraudulent intent and special damage.* As it was pointed out at the Conference of the Hague, the conception of 'denigrement' does not involve a fraudulent intent. The mere fact of discrediting the goods of a competitor by allegations which are untrue constitutes an act of unfair competition. * * *" (Footnotes omitted.)

And Callmann, in Unfair Competition and Trade Marks, 2nd Edition, Volume 4, p. 2208, Section 99.2(b) states:

> "* * * The concept of 'denigrement' does not require proof of *scienter*. The mere fact that the rival's product was discredited by false allegations completes the act of unfair competition."

V.

A. In concluding that if the defenses of privilege were precluded, the protection given by an American patent would be effectively diminished and thereby give rise to a very serious constitutional question (R. 339, Appendix A, p. 23), the opinion of the Court of Appeals is in conflict with *Wilson v. Girard* (1957), 354 U.S. 524, 530; *Asakura v. Seattle* (1924), 265 U.S. 332, 341;

Missouri v. Holland (1920), 252 U.S. 416, 433 and *Geofroy v. Riggs* (1890), 133 U.S. 258, 266-267. As in *Wilson*, 354 U.S. 530:

> "* * * We find no constitutional or statutory barrier to the provision as applied here. In the absence of such encroachments, the wisdom of the arrangement is exclusively for the determination of the Executive and Legislative Branches."

The Court of Appeals pointed to no constitutional or statutory barrier giving rise to "a serious constitutional question" and petitioner is aware of none. In this case, Article 10 *bis* does not extend so far as to authorize what the Constitution forbids and the Treaty is made under the authority of the United States and extends to proper subjects of negotiation between our government and other nations. Moreover, if present, the existence of such a question would seem to be one particularly appropriate for review by this Court.

B. The Court of Appeals conclusion that petitioner's interpretation of Article 10 *bis* would preclude a patentee from bringing suit charging patent infringement unless he were willing to run the risk of an action for damages (R. 339, Appendix A, p. 23) is unsupportable in logic. Petitioner seeks neither to add to nor to subtract from the clear and precise language of Article 10 *bis*. The treaty does not literally, or by application of the rules petitioner urges, make actionable any false allegations in a patent infringement complaint because the treaty is specifically limited to those allegations which are made "in the conduct of trade." "Trade" and "litigation" are wholly different things. Petitioner, therefore, submits that the *reductio ad absurdum* rule of logic applied by the Court of Appeals is faulty because The Paris Convention, both on its face and on the more limited facts concurrently found at bar by both the District Court and the Court of Appeals, would not subject a patentee to risk of damages for the mere filing of an action for infringement.

C. In determining that "the Paris Convention was not intended to define the substantive law in the area of 'unfair competition' of the signatory countries, but rather to set out the broad basic principles under which the laws of the said countries would operate" (R. 339, Appendix A, p. 23), the Court of Appeals disregarded the history and the language of the convention.

The historical development of the unfair competition aspects of The Paris Convention are graphically shown in the chart accompanying this petition as Appendix D. The history makes clear although the earlier versions of The Paris Convention were content "to set out the broad basic principles" that in accordance with their plan to perfect and improve the system of the union (Art. 14), the contracting countries later particularized the conduct which was to be forbidden under The Paris Convention. The words "particularly are to be forbidden" were first added at The Hague conference (47 Stats. 1807) and were continued at the London conference (53 Stats. 1780). The term "false allegations in the course of trade" was likewise added for the first time at The Hague conference (47 Stats. 1808) and this language was changed to "false allegations in the conduct of trade" at the London conference (53 Stats. 1780). The expression "particularly are to be forbidden" followed by the itemization of the actionable conduct should not be construed to be mere enunciation of "broad basic principles." The most accepted definition for the word "particularly" in Webster's New International Dictionary: Second Edition, is:

> "In detail or in particulars: item by item, or part by part."

Petitioner therefore submits that the conclusion of the Court of Appeals is in direct conflict with the ordinary use of the words of the treaty "on their face" as well as the treaty history and thus is in conflict with *Factor v. Laubenheimer* (1933), 290 U.S. 276, 294 (quoted in this petition p. 13) as well as *Ware v. Hylton* (1796), 3 Dall. (3 U.S.) 199, 239-243.

VI.

In applying the privilege defense said to be recognized in the Ohio case law and in the California Civil Code and case law, the decision of the Court of Appeals conflicts with Article VI of the Constitution and with controlling decisions of this Court. In sustaining the defense of privilege, the Court of Appeals relied upon the California Civil Code, upon cases from Ohio and California state courts and upon textbook authority. Assuming arguendo that the Ohio and California law recognize the privilege, that privilege, even if a part of state law, cannot be invoked to overcome the clear language of the treaty.

In *Nielsen v. Johnson* (1929) 279 U.S. 47 this Court said, p. 52:

> "* * * as the treaty-making power is independent of and superior to the legislative power of the states, the meaning of treaty provisions so construed is not restricted by any necessity of avoiding possible conflict with state legislation and when so ascertained must prevail over inconsistent state enactments. * * *"

The foregoing rule was held applicable to the Inter-American Convention in *Bacardi Corp. v. Domenech* (1940), 311 U.S. 150, at p. 162. By analogy, it should be controlling upon The Paris Convention.

Further, U. S. Code, Title 28, Section 1652 makes specific exception to instances where "treaties of the United States or acts of Congress otherwise require or provide."

Petitioner therefore submits that the invocation of the rule of privilege, even if it be sustained by any state law, is in conflict with the treaty and controlling decisions of this Court.

CONCLUSION

For the foregoing reasons, this Petition for the writ of certiorari should be granted.

Respectfully submitted,

CARL HOPPE
HENRY GIFFORD HARDY
Attorneys for Petitioner

(Appendices Follow)

Appendix A

United States Court of Appeals for the Ninth Circuit

No. 15,638—June 17, 1959

Kemart Corporation, a Corporation,
Appellant,
vs.
Printing Arts Research Laboratories, Inc., a Corporation,
Appellee.

Appeal from the United States District Court for the Southern District of California, Central Division

Before: STEPHENS, Circuit Judge and HEALY and BONE, Senior Judges.

BONE, Senior Judge:

PART I

This long drawn-out litigation[1] was launched by the filing of an action in the lower court on November 23, 1948, by Kemart Corporation, a California corporation (hereafter referred to as appellant or Kemart). Its action was in form a petition in which it prayed (1) for a declaratory judgment or decree declaring that it had the right to continue to manufacture, use, sell and license a (so-called) "Kemart Process" (which "process" it controlled under a license from the original patentees thereof whose (two) patents had been granted in 1946) without any threats of infringement or any interference whatever by or from appellee Printing Arts Research Laboratories, Inc., a Delaware corpora-

[1]Kemart points out in its brief that this case is now before this court for the fourth time.

tion (hereafter referred to as appellee or Printing Arts), or its successors; (2) a declaratory judgment adjudging that *both* of the Printing Arts patents[2] are invalid and void at law, and that neither of them nor any claim thereof, has been infringed by the "Kemart Process" or any of the devices, materials, equipment or supplies used to practice the "Kemart Process" which are now or were heretofore made, sold or licensed, and offered for license or sale by Kemart; (3) for judgment for Kemart's *attorney fees and costs;* (4) for a preliminary restraining order and permanent injunction enjoining Printing Arts, its attorneys, agents and those in active concert or participating with it, from in any way threatening suits for infringement against any of Kemart's licensees or potential licensees, and from in any way asserting that the Kemart Process is an infringement of the two Printing Arts patents in suit; (5) for *damages* resulting from Printing Arts "wrongful acts and doings" which are pleaded in Kemart's petition[3].

In its list of general charges brought against Printing Arts, the Kemart petition also sets forth, inter alia, a series of averments wherein it charges (1) that both Printing Arts patents are

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[2]Printing Arts was then, and now is, the owner of two patents which had been issued to Walter S. Marx, Jr., in 1940 and later assigned to Printing Arts which corporation was the owner of these Marx patents during all times here pertinent. The only Printing Arts patent which was finally involved in this litigation is patent No. 2,191,939. Its other patent was dropped from this controversy.

[3]As to the claimed "wrongful acts and doings" of Printing Arts, the petition of Kemart asserted, inter alia, that Printing Arts has circulated *letters and statements* that the Kemart Process is an infringement of either or both of Printing Arts Letters Patents; that *said letters and statements* were circulated for the express purpose of harassing Kemart and its licensees and destroying Kemart's business; that by reason of such acts and doings of Printing Arts, Kemart is having great difficulty in doing business with respect to its processes; that *some prospective licensees* have refused and continue to refuse to purchase and deal in Kemart's processes until *such charges* and claims are eliminated; that if a suit for infringement is filed by Printing Arts, Kemart's licensees will require Kemart to furnish an indemnity bond before continuing with licenses under the Kemart Process, thus causing Kemart unnecessary and burdensome expense and thereby causing Kemart to stand in immediate and grave danger of irreparable loss and damage as a result of such unlawful acts of Printing Arts.

invalid and void because the patentee thereof was not the original and first inventor or discoverer of any material or substantial part of the things patented therein; that they are also void and invalid because they were anticipated by more than two years by seven prior inventions under (listed) United States and British patents, and were "surreptitiously or unjustly obtained" by Printing Arts, (2) that both Printing Arts patents were the invention of another and claimed more than Printing Arts was entitled to; that its patent No. 2,191,939 is substantially different from any invention indicated, suggested or described in the original application therefor.

The Kemart petition further averred that Kemart's process does not in any way infringe any of the Printing Arts patents or any claims thereof; that Kemart and its licensees have not done any act or thing, nor do they propose to do anything, in violation of the rights of Printing Arts under its said patents; that Printing Arts has (also) done the things and performed the (wrongful) acts (which we have noted in footnote 3 of this opinion).

In an answer and *counterclaim* to Kemart's petition, Printing Arts averred, inter alia, that it was the owner of all rights, title and interest under its two (so-called) "Marx patents" mentioned in the Kemart petition; that with respect to Marx patent No. 2,191,939,[2] admitted that it had charged Kemart with contributory infringement of this particular patent but *not* as to the other Marx patent; that it had never threatened to sue any of Kemart's licensees for infringement of either of the two Marx patents, and that the second Marx patent (No. 2,304,838) should be striken (as it later was) from the action.[2]

In a later and amended and supplemental counterclaim filed by Printing Arts, it averred, inter alia, that Kemart had been *directly infringing* ten out of the twelve claims of the "Marx patent" No. 2,191,939, and *contributorily infringing* this particular patent by selling or otherwise vending to infringers of this Marx patent Kemart equipment and supplies and instructions with the purpose and intent that such Kemart matter shall be used by the purchasers in practicing without right or license the method

or process covered by Marx patent No. 2,191,939. In this pleading Printing Arts demanded (1) a preliminary and final injunction against further *contributory infringement* by Kemart and those it controlled, and (2) an accounting for profits *and damages*, and an assessment of *costs* against Kemart.

Kemart filed an answer to this *amended and supplemental counterclaim* in which it admitted that Printing Arts owned patent No. 2,191,939; again averred (as it had in its petition) that Marx patent No. 2,191,939, here pertinent, was invalid and void and that this was true because the applicant named in its Letters Patent was not the original and first inventor of what was claimed in this Marx patent (citing eight claimed prior art United States and British patents), and that the said Letters Patent is also void and invalid because it does not disclose a patentable invention; that the material and substantial parts of the said Printing Arts patent were known and used by others in this country prior to the (Marx) alleged patent here noted, and were patented and described in printed publications here and abroad *before* the said Marx patent, or more than two years before application for this Marx patent; that the constructions, devices, supplies and methods identical with those alleged (by Printing Arts) to be contributorily infringed, *and* the "Kemart Process", which is also claimed to infringe Marx Patent No. 2,191,939, were freely manufactured, used, sold and licensed in the United States by Kemart's predecessors long prior to said Printing Arts counterclaim, all of which was fully known to Printing Arts; that Printing Arts, as early as May 4, 1943, sent a "Notice of Infringement" of the said Marx patent to Kemart's predecessors because of such infringement, and threatening suit against them, and that such a suit was never filed by Printing Arts against Kemart and/or its said predecessors prior to Printing Arts' answer and counterclaim first filed in the instant action; that Kemart, because of this long delay and apparent acquiescence by Printing Arts and in reliance thereon, entered upon the present commercialization of the Kemart Process in which effort it incurred great expense and undertook fundamental obligations which it would not have incurred or undertaken had

Printing Arts not acquiesced in such manufacture, use, sale, and licensing operation by Kemart, all of which estops Printing Arts from enforcing any rights against Kemart.

In this answer to Printing Arts' amended counterclaim, Kemart prayed that the Printing Arts' amended counterclaim be dismissed with prejudice and with *costs* and reasonable *attorney's fees*.

The written pleadings as outlined above were not further amended in any subsequent stage of this litigation. On the issues thus raised the case went to trial in the lower court and on January 31, 1951, that court adjudged that Kemart was guilty of infringing all of the claims of Printing Arts patent No. 2,191,939 except 5 and 7 thereof. On appeal from this judgment this court found that the Kemart Process *did not* infringe the said Printing Arts patent. We reversed the lower court with instructions to dismiss the counterclaim of Printing Arts. See our opinion in 201 F.2d 624 noted just below.

During the course of this litigation this Court has rendered two opinions. They are reported as Kemart Corporation v. Printing Arts Research Laboratories, Inc., 1953, 201 F.2d 624, and Kemart Corporation v. Printing Arts Research Laboratories, Inc., 1956, 232 F.2d 897.

The lower court has rendered one opinion reported as Kemart Corporation, a corporation, v. Printing Arts Research Laboratories, Inc., a corporation, 1956, 146 Fed. Supp. 21.

Since the two noted opinions of this Court set out in sufficient detail the particular (and isolated) issues of fact and law before this court at the times of their rendition, a repetition of our holdings therein would unduly burden this opinion. It is sufficient to say that these two opinions resulted in a disposition of only certain of the issues posed in Kemart's petition and left remaining for later adjudication by the lower court only two issues, to wit, appellant's claim for *damages* and for *attorney's fees*. In dealing with the merits of these terminal issues (upon which the parties agree) the lower court rendered its above noted opinion in 146 Fed. Supp. 21. The instant appeal is from the final judgment rendered by that court in disposing of these two issues.

The Findings and Conclusions entered by the trial court show that upon the evidence and testimony adduced in this final trial it was of the view that appellee Printing Arts reasonably and in good faith believed, upon advice given it by its own counsel, that its charge that Kemart had infringed its patent No. 2,191,939 was true; that in making such a charge appellee was not prompted by malice but acted *solely* in defense of this patent and that such conduct was a complete defense to appellant Kemart's claim for *damages*.

The lower court made and entered (later noted) formal findings of fact, conclusions of law and a judgment adversely disposing of Kemart's claims for damages and for an award of attorney's fees. It therein directed that each party should bear its own *costs* in that court.

The Evidence

Because of conflicting claims of the parties as to whether the evidence and testimony shown in the record adequately sustains the court's finding of facts and conclusions of law, we endeavor to summarize the controlling and estabished facts as they must have appeared to the experienced district judge who had presided during all trial stages of this extensive litigation.

The trial record makes clear (and the court so found) that the parties since June, 1947, have been competitors in their respective businesses of granting licenses under their respective "processes."

The evidence and testimony shows that the first of the claimed (and later noted) "wrongful acts and doings" of appellee (relied upon by appellant) occurred at and during a national convention of the "American Photoengravers Association" held in Cleveland, Ohio, the opening day of this convention (hereafter "Convention") being October 7, 1948. Appellant frankly stated to the court below that "this thing all started with Mr. Marx"—if he "had not made his 'publication' in Cleveland, it wouldn't have been necessary to bring the [appellant's] suit." Other of such claimed "acts and doings" occurred *after* the Convention and these matters were covered in great detail in the evidence and

testimony at trial. While the specified and later noted "wrongful acts and doings" of appellee's officers and/or agents constitute the basis of appellant's charges against appellee, various men other than those directly associated with appellee and its business operations were also brought into the evidential picture. In the margin we have noted the names and particular business connections of these men.[4] Their activities were fully developed in the testimony. As note 4 indicates, two of these men happened to be connected with, and were active in "trade" operations connected with the business of distributing photoengraving supplies in this country. Another man was editor of the "Photoengravers Bulletin", a national magazine devoted to publication of matters of interest to those in the photoengraving business. Certain of the "publications" which are claimed to have damaged the business of appellant appeared in this "Bulletin". We later describe these "publications" for they underlie appellant's claim of damages.

[4]Walter S. Marx, Jr., patentee on the particular Marx patent here involved, was present at the convention. He was the actual operating head of Printing Arts, the business of which is in Santa Barbara, California.

Albert G. McCaleb (now deceased) was then President and one of the Directors of Printing Arts; he was also (as its legal counsel) in charge of its corporate records, patent papers, legal correspondence, and the like. McCaleb maintained an office in Chicago, Illinois and was a prominent trial lawyer specializing in patent causes.

Frank Adams, an attorney, was then (and now is) President of Kemart.

William Pensinger was then Vice President of Printing Arts. (Pensinger and McCaleb represented Printing Arts at the convention.) Marx, who was the largest stockholder of this corporation, was also in charge of certain activities, including scientific research and executive efforts on behalf of Printing Arts.

J. S. Mertle was then "technical advisor" of Kemart. He was also a columnist, writing articles concerning photoengraving problems.

Lewis Flader was then the executive secretary and an ex-Commissioner of Association. He was also the author of text books in the graphic arts field, and editor of the "Photoengravers Bulletin", a trade journal which was circulated to those engaged in the photoengraving industry.

H. B. Latimer and Paul Schmidt were both representatives of the Harold M. Pittman Company, which appellant asserts was the world's largest distributor of graphic arts supplies. It was a distributor of Kemart supplies furnished by Kemart, and supplies furnished by Printing Arts.

Upon the above noted pleadings in this case, and from all of the evidence and testimony relating to the issue of damages which was adduced at trial, the trial judge was justified in concluding that five different incidents, i.e., "wrongful acts and doings" of Printing Arts and/or its agents prior, during, and following the Convention (including certain of Kemart's actions claimed by Kemart to have been induced by the actions of Printing Arts) had been clearly established. We describe these five "incidents" in the order in which they occurred, and since at least two of them were referred to by counsel for Printing Arts in trial argument as "steps," we utilize that general term in describing them:

"Step" number one: McCaleb, under date of October 6, 1948, prepared a written opinion in letter form which he sent to appellee (who was also his client). In this letter McCaleb charged appellant and its "process" with infringing appellee's Marx patent No. 2,191,939, and he therein stated certain of his "conclusions," as follows:

"October 6, 1948

Printing Arts Research Laboratories, Inc.
San Marcos Building
Santa Barbara, California

Gentlemen:

Re: Your Marx Patent No. 2,191,939 dated February 27, 1940 and its infringement by the Kemart process of making halftone negatives.

Pursuant to your recent request, I have reviewed your above identified patent, and the application therefor, and have familiarized myself with the above mentioned Kemart process, to determine whether or not such process infringes such patent.

My conclusions, tersely stated, are as follows:

(1) Anyone who practices the Kemart process infringes several claims of your patent aforesaid.

(2) The Kemart Corporation, sponsor of the Kemart process, is contributorily infringing such patent when it furnishes infringers

thereof with supplies, equipment and instructions facilitating their practice of such Kemart process.

(3) Nothing in either the history of the application for your said patent or any prior art patent or publication which has come to my attenion casts any doubt upon the validity of such patent or any of the claims thereof; I believe your said patent will be adjudged valid, and that its claims will be accorded substantial scopes, if it is subjected to the test of litigation.

The Kemart process, in which is employed the so-called Kemart neutralizer (a material absorptive of ultra-violet light) is but a variation of the fluorographic process as disclosed in your subject patent—a variation of the fluorographic process which plainly falls within and is covered by a number of the patent claims. Even if the Kemart neutralizer were not absorptive of ultra-violet light, the Kemart process would still infringe your herein discussed patent, and more particularly claim 12 thereof; but since such neutralizer is in fact absorptive of ultra-violet light, infringement of several additional claims of the patent by the Kemart process is abundantly clear.

I recommend that all users of the Kemart process, in so far as you are able to identify them, be notified of the existence of your aforesaid patent No. 2,191,939, its nature and coverage, and their infringement thereof.

Yours very truly,

/s/ Albert G. McCaleb,
Albert G. McCaleb."

(This letter was placed in evidence as Exhibit RR.)

On October 7, 1948, and while present at the above noted Convention of Association, Walter S. Marx, Jr., exhibited the said McCaleb letter of Ooctober 6, 1948 (see footnote 4) to Frank Adams (President of appellant) and to J. S. Mertle, H. B. Latimer, Louis Flader and Paul Schmidt. (Counsel for appellant assured the lower court that "this whole controversy started really on October 7, 1948, at which time Mr. Marx displayed a letter at

the convention . . .") This "display" was the *first* "publication" claimed by Kemart.

Post Convention Steps

"Step" number two: After the Convention and under date of November 10, 1948, McCaleb wrote a letter which was sent directly to appellant in which letter he referred to the contents of the letter of October 6, 1948. In this letter of November 10, 1948, McCaleb quoted his earlier (pre-convention) letter of October 6, 1948 (which had been exhibited to Frank Adams at the Cleveland Convention) and then further stated in the letter of November 10, 1948:

> "I have now been instructed to institute suit for infringement of the above identified patent against a representative user of the Kemart process, and intend so to do just as soon as certain prerequisite information can be obtained.
>
> "If you defend such action, I shall suggest that your counsel and I stipulate as to the several steps of the Kemart process as practiced by the defendant and the nature of the devices and materials employed by the defendant in performing such process—so that the need for calling the defendant's officers and employees as witnesses may be minimized or eliminated.
>
> "* * * Possibly you may want to have decided in the same case the related question of contributory infringement affecting you. If so, I shall be glad to cooperate with your counsel to that end."

"Step" number three: On November 23, 1948, appellant initiated the instant litigation by filing its petition in the lower court, all as noted at the outset of this opinion. On the same day appellant sent a letter to *all* of its licensees in which, inter alia, it generally advised them that apppellant's said litigation had been instituted "for the purpose of protecting you and ourselves against a series of threats by the representatives and employees of Printing Arts which firm has expressed its opinion that the use of the Kemart Process in some way infringes the Marx patent."

This letter also urged these licensees to continue use of the Kemart Process and to "feel secure that all proper steps are being taken."

In connection with step number three, Printing Arts had placed in evidence in the original trial its Exhibit NN which was also used as an exhibit in the present trial on the issue of damages. This was identified as "an excerpt from the Photoengravers Bulletin for December 1948." Concerning this exhibit, Frank Adams (President of Kemart) testified that *he* had "published" an advertisement in the said December 1948 issue of the Photoengravers Bulletin, and in connection with this advertisement had sent to this magazine a copy of appellant's said letter of November 23, 1948, addressed to its licensees and requested the said bulletin to publish this letter. This copy was published by the Bulletin in its December, 1948 issue in conformance with appellant's request. In this letter to its licensees, appellant stated, inter alia, that appellee's threats and statements were false and contrary to the proper spirit of competition in the photoengraving industry, and that in appellant's action filed on the date of this letter appellant was asking damages for appellee's "wrongful acts."

"Step" number four: Subsequent to the December, 1948 publication of appellant's above noted matter in the Bulletin, *appellee* forwarded to that magazine a "News Release", which "release" appeared in its May, 1949, issue. The material in this communication, as published, carried the heading "Kemart licensees liable to Lawsuits" and the further statement that the said "release" was also in explanation of appellee's "full page ad" in this (May 1, 1949) issue of the Bulletin. It also set forth therein, inter alia, that on March 28, 1949, the lower court had issued a decision denying Kemart a temporary injunction restraining appellee from bringing a patent infringement suit pendente lite against users of the Kemart Process; that in appellee's pending suit against appellant it charges appellant with contributory infringement of Marx patent No. 2,191,939 by furnishing to appellant's licensees the materials wherewith to directly infringe the said Marx patent; that appellant has simulated appellee's process, and unlike appellant, the appellee prefers to try legal questions in the courts rather

than in literary broadsides; that when it is legally advisable appellee will put any Kemart licensee on notice with respect to infringing appellee's patent, and a suit will very promptly be instituted against a Kemart licensee, but the pending action against Kemart will continue to be "vigorously prosecuted."

"Step" number five: In the June, 1950, issue of the Photoengravers Bulletin appellee again published or caused to be published, an article which was characterized as a "news item". This article set forth that a new date had been set for trial of the action in which appellant Kemart is charged by appellee with infringing the Marx patent in suit. In this "item", Pensinger (Vice President of appellee), is quoted concerning the matters here mentioned. This matter was also publicized in "The National Lithographer", which appears to be a trade journal.[5]

Appellant introduced in evidence several letters it had received from its licensees during 1949, and they indicate that some of these licensees either canceled their license agreement with appellant or demanded that appellant take steps to protect them against infringements suits by appellee. A colloquy between court and counsel during the trial indicates that these letters were introduced only for the purpose of showing that appellant's claim of damage possessed substance. In this connection, the court suggested that evidence be first heard on the question of appellee's *liability* reserving any detailed evidence (accounting, etc.) on the question of the amount of damages until a ruling was made on the legal question of *liability*. Counsel for appellant agreed with this sug-

[5] A brief or passing reference to one other "publication" concerning the instant litigation appears in the testimony of Frank Adams. He there referred to a comment (which he claimed to have seen) which appeared during the summer of 1950, in the "Research Bulletin" of the "American Newspaper Publishers Association" (A.N.P.A.), wherein reference was made to a previous statement made by appellee concerning the instant litigation. This statement had appeared in the "Photoengravers Bulletin", and Adams said that (as he recalled it) the A.N.P.A. news item had advised its member newspapers that anybody taking the Kemart license would be sued by Printing Arts. (The court received the statement of Adams as "secondary evidence", subject to a motion of Printing Arts to strike.)

gestion and thereafter confined his questions to "generalities on the question of damages", this "to show that we will be entitled to them if we prevail on the main issues" (of liability).

Findings of Fact and Conclusions of Law

Against the foregoing background of evidentiary matter and from other evidence and testimony too lengthy and conflicting to here detail, the lower court made and entered formal Findings of Fact wherein, inter alia, it set forth that at all times between June of 1947 and the date of trial, appellee and appellant had been competitors with one another in their respective businesses of granting licenses under their respective patented "processes"; that prior to the commencement of appellant's action, appellee "reasonably believed" that its patent No. 2,191,939 was valid and that it was infringed by appellant's process; that this *belief* was based upon the opinion of appellee's experienced, although interested, patent counsel and not upon "careless acertainment" of appellee's patent rights; that prior to the commencement of appellant's action, appellee *showed* to appellant, in Ohio, a letter (Exhibit R.R. quoted supra), from appellee's patent counsel (Albert G. McCaleb), charging that appellant's "process" infringed appellee's patent No. 2,191,939, which charge was later determined to be false; that after seeing this particular letter, appellant itself published this charge of infringement in Ohio, and subsequently caused the charge to be published in a trade magazine of nation-wide circulation wherein the infringement was denied and appellee accused of wrongful conduct; that in response to appellant's publication in Ohio, appellee *there* published the charge of infringement and also published the charge in the aforesaid trade magazine in response to appellant's prior publication; that the publications by appellee were for the purpose and with the intent on the part of appellee to defend its own patent interests rather than to injure appellant's business.

The court further found as facts that appellee's publications were directed to the same interested persons to whom appellant's

publications had been directed, namely, a consultant to persons in the photo-engraving field, possible infringers and contributory infringers, and the Executive Secretary of the photo-engraving trade association having an official interest in conflicts among members; that appellee's out-of-court publications of the charge of infringement, since determined to be false, were made *at a time* when appellee reasonably believed its said charge to be true, and that said publications were made in good faith and without malice, and were made to interested persons; that in pleading to appellant's complaint filed in this action, appellee alleged that appellant's process infringed appellee's patent; that such allegation was relevant and material to the cause of action and to the defense asserted by appellee; that a two-day delay on the part of one of appellee's officers in answering questions upon deposition was not due to bad faith and did not injure appellant.

The court further found that a misrepresentation by appellee's only witness at trial (Walter S. Marx, Jr.) as to his scientific background was a matter of no material consequence either in the prosecution or defense on the merits of this action; that appellee did not materially misrepresent the state of the prior art; that appellee did not determine the amount of the supersedeas bond or the form of the injunction restraining appellant following the trial, such determinations being made by the Court; that the instant case was not an exceptional case and appellee's conduct before, during and after the trial of the case evidenced no unfairness or bad faith; also, that such conduct was actuated by a reasonable belief, in good faith, that appellant's process was an infringement of appellee's patent; that neither the conduct of appellee nor any other equitable consideration makes it grossly unjust that the winner of this patent law suit be left to bear the burden of its own *counsel fees*, which prevailing litigants normally bear.

As Conclusions of Law, the court held that jurisdiction of the instant case was conferred by 28 U.S.C., Section 1332; that conflict-of-laws rules of California are applicable; that under California

law, a tort action is governed by the law of the place where the tort is committed; that legal principles constituting the law of libel or slander are the same, whether corporations or individuals are involved; that Ohio law provides that publication of a false charge of patent infringement is a tort in the nature of a trade libel or unfair competition, since such charge is likely to prevent others from engaging in business dealings with the alleged infringer, and that the injured party may recover its actual damages.[6]

The court further concluded that Ohio law recognizes, however, that a patentee may publish a charge of patent infringement to other interested persons, even though the charge later proves to be false, *if* the patentee reasonably and in good faith believes the charge of infringement to be true *and* was not prompted by malice but acted *solely* in defense of his patent; that such a publication is qualifiedly privileged, and appellee's good faith and absence of malice constitutes a complete defense to appellant's claim of *unfair competition or trade libel*.[7]

[6]Appellant urges in its brief that "these conclusions" as to per se liability noted in the court's order for Findings, Conclusion and Judgment, are soundly supported by Watson v. Trask, 1834, 6 Ohio 532; Union Central Life Insurance Co. v. Mutual Benefit Life Insurance Co., 1877, 5 Ohio Dec. Reprint 521, 523; Finney v. Smith, 1877, 31 Ohio State 529, 532; Kahn v. Cincinnati Times Star, 1890, 10 Ohio Dec. 599, 620, affirmed without report 52 Ohio State 662; Cincinnati St. Ry. Co. v. Cincinnati Daily Tribune Co., 1894, 10 Ohio Dec. 725; and Henry Gehring Co. v. McCue, 1926, 23 Ohio App. 281, 154 N.E. 171.

[7]During the final trial on the issues of damages and attorney's fees claimed by appellant, counsel for the parties engaged in a colloquy concerning the exact nature of the cause of action pleaded in appellant's petition as the basis of its claim for *damages*. Counsel for *appellee* argued to the court that appellant did not ground its cause of action on *libel*; that appellant's case is "a pure and simple case of *unfair competition*" despite the fact that appellant calls it a libel because he can't prove bad faith.

Appellant's counsel took issue with this contention, asserting that appellant had not stated a theory of *unfair competition* in its petition but had therein pleaded libel; that a false charge (of infringing appellee's patent) had been set out in the said petition; that the petition *may also* be an action for *unfair competition*, "but in Ohio they say this type of a charge is a libel and a slander . . . the Court of Appeals [in 232 F.2d 897, supra] indicated that appellant's action was a libel case . . . they said we are claiming

The court further concluded that *allegations in pleadings* which are relevant and material to the claim or cause of action or the defense asserted, are unqualifiedly privileged; that issues not raised by the pleadings, but tried by express or implied consent of the parties shall be treated in all respects as if they had been raised in the pleadings and appellee may *now* assert the defense of *privilege* even though not expressly pleaded; that the court, in exceptional patent cases may award reasonable attorney's fees to the prevailing party; that exceptional cases are those in which "unfairness or bad faith in the conduct of the losing party, or some other equitable consideration of similar force, * * * makes it grossly unjust that the winner of the particular lawsuit be left to bear the burden of his own counsel fees which prevailing litigants normally bear", Park-In-Theatres, Inc., 9 Cir., 1951, 190 F.2d 137, 142; that attorney's fees should not be awarded herein.

In accordance with the Findings and Conclusions above stated, the court ordered, adjudged and decreed on December 19, 1956, (1) that it had jurisdiction over appellant's claim for damages for *unfair competition or trade libel;* that appellant take nothing by said claim and that this claim be dismissed; that appellant receive no award of attorney's fees, and that each party to this action bear its own costs in respect to proceedings subsequent to

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damages for libel." (At the outset of this opinion we noted the specific charges appearing in appellant's petition. It therein charged that appellee had "circulated letters and statements" wherein it charged that appellant's process infringed appellee's two patents. At no point did the petition use the terms "libel" or "slander" in characterizing appellant's claims against appellee.)

When the court suggested that no *libel* had been pleaded, but that a claim of *unfair competition* had been made and then asked if *libel* was "a separate cause of action", counsel for appellant stated: "No, it's all mixed up in the same ball of wax." The court thereupon stated: "You may have two causes of action in one."

After the evidence on both sides was closed, appellant's counsel stated to the court in argument on the merits that he conceded that *if* the alleged false charge (of infringement) made by appellee is only actionable *as unfair competition* and is not actionable *as libel and slander*, then the existence of *bad faith* (on the part of appellee) in making such a charge "is a sine qua non to an *unfair competition* situation in this litigation." [Emphasis supplied.]

the last issued mandate of the Court of Appeals for the Ninth Circuit.

Appellant's motion of January 2, 1957, to amend findings of fact, conclusions of law, and for the entry of a new judgment, was denied on January 4, 1957.

On April 9, 1957, appellant moved the lower court to vacate and set aside its final judgment in this case. In this motion (based on Rule 60(b) Rules of Civil Proc.) appellant argued (for the first time) that the "rule of decision" upon which the court's said final judgment is based, was overruled, limited or otherwise vacated in International Industries and Developments, Inc. v. Farbach Chemical Co., Inc., 1957, 6 Cir., 241 F.2d 246. Appellant further argued in its said motion that the alleged "rule of decision" relied on by appellee also contravenes the "Convention of the Union of Paris" of March 20, 1883, for the Protection of Industrial Property, as amended in London in 1934 (53 Stat. 1780), particularly Article 10Bis thereof which particularly forbids "false allegations in the conduct of trade of a nature to discredit the establishment, the goods or services of a competitor."

On June 24, 1957, the lower court entered an order denying appellant's aforesaid motion to vacate. In this order the Court said that considering the motion as coming within said Rule 60(b) that under the law of Ohio as interpreted in the Farbach decision, supra, it must be held to accord a patentee the qualified privilege to publish a charge of patent infringement to other interested persons, even though the charge later proves to be false, *if* the patentee reasonably and in good faith believes the charge to be true, *and* the charge was not prompted by malice but was made solely in defense of his patent. In this order the lower court further held that the "Convention" cited by appellant, *does not, absent effectuation thereof by Congress*, eliminate the defense of privilege, good faith and absence of malice permitted by the law of Ohio. To this point the court cited: Vanity Fair Mills, Inc. v. The T. Eaton Co., 234 F.2d 633, 640 (2d Cir.);

cert. denied, 352 U.S. 871, (1956); cf: Bicardi Corp. v. Domenech, 311 U.S. 150 (1940); Geofrey v. Riggs, 133 U.S. 258, 266 (1890); Head Money Cases, 112 U.S. 580, 598 (1884).

Appellant's Specification of Errors

Appellant relies for reversal on eight claimed errors. In the first six, appellant asserts that the court erred:

(1) in determining that the law of Ohio accords a patentee the qualified privilege to publish a charge of patent infringement to other interested persons, even though the charge later proves to be false, if the patentee reasonably and in good faith believes the charge of infringement to be true and was not prompted by malice but acted solely in defense of his patent; that such a publication is qualifiedly privileged, and that defendant's good faith and absence of malice constitutes a complete defense to plaintiff's claim of unfair competition or trade libel;

(2) in failing to find that the Ohio case law, the Ohio statutes, the Ohio Constitution, and the Treaty of Paris all make actionable the publication of false charges in the conduct of trade which are of a nature to discredit the establishment, the goods or the services of a competitor without regard to proof of actual malice;

(3) in determining that the defendant published the charges in good faith and without malice, that it reasonably believed that the patent in suit was infringed by the process of plaintiff, and that this belief was based upon the opinion of patent counsel and not upon careless ascertainment of plaintiff's rights; (4) in determining that plaintiff "published the charge of infringement in Ohio" and that defendant's publications were published "in response to plaintiff's publication in Ohio" and in "response to plaintiff's prior publication in a trade magazine";

(5) in determining that the defendant's misrepresentations at the original trial were not material;

(6) in finding that the instant case was not warranting an allowance of attorney's fees.

The remaining two claims of error are that the court erred in adjudging that plaintiff shall take nothing by its claim for damages and that said claim for damages be dismissed and in failing to award plaintiff its actual damages, namely, its business losses resulting from the publication, and the expenses involved in clearing up of the infringement charges; and further erred in adjudging that plaintiff shall not receive any attorney's fees and in failing to award attorney's fees to plaintiff under the patent statutes and under the Ohio law.

Appellant's Position

In support of its Specification of Errors, appellant presents lengthy arguments and an elaborate array of authorities thought to support its position. It abruptly parts company with the lower court's views on "Ohio law" as applied to the facts we have outlined above. Specifically it argues that Henry Gehring Co. v. McCue, 1926, 23 Ohio App. 281, 154 N.E. 171 and McCue v. Wells, 1929, 121 Ohio State 53, 166 N.E. 892, establish and directly show the law of Ohio to be as follows: (1) Where a plaintiff seeks damages arising from the publication of a false charge of infringement, existence of *malice* and absence of *good faith* are not essential elements of plaintiff's case. (2) proof of the *truth* of the matter charged as defamatory is a complete defense (3) the fact that the letters which charged infringement were written and sent in good faith and upon advice of competent counsel skilled in such matters is not a defense to a plaintiff's claim for damages.

In further support of the doctrine just above noted, it is urged that Watson v. Trask (1834) 6 Ohio 532, firmly established as

"Ohio law" that (as applied to the facts of the instant case) appellee's charge that appellant infringed appellee's patent was a personal libel directed at appellant, and if the charge was false, Ohio law *infers malice* on the part of appellee in making this charge. If falsity is present (says appellant) Ohio law, as set forth in Gehring Co. v. McCue and McCue v. Wells, supra, along with the "general law" as set forth in American Well Works v. Layne (1916) 241 U.S. 257; E. Edelman & Co. v. Triple-A Specialty Co., 1937, 7 Cir., 88 F.2d 852, and International Industries & Development v. Farbach Chemical Co., Inc., 145 Fed. Supp. 34, affirmed in 241 F.2d 246, and the treaty law as set forth in the Treaty of Paris (above referred to), all agree that *actual malice* is not an essential element of a (appellant's) claim for damages.

Boiled down, the argument is that appellee's false charge[*] that the Kemart Process infringed its Marx patent, is "actionable per se as a matter of law" without proof of malice on the part of appellee and without regard to the question of appellee's good faith, protection of its patent, and advice of competent counsel. And it is said that as to this theory, "the historical starting point of Ohio case law is Watson v. Trask," supra, it being the vanguard of "the better reasoned cases."

Appellant also argues that *if* the law of Ohio be held not applicable, it relies *directly* upon International Industries & Development v. Farbach Chemical Co., Inc., supra, and upon pertinent comments in American Well Works v. Layne, supra; American Ball Co. v. Federal Cartridge Corp., 1934, 8 Cir., 70 F.2d 579; dissenting opinion in Eastern States Petroleum Co. v. Asiatic P. Corp., 1939, 2 Cir., 103 F.2d 315; Black & Yates v. Mahogany Assn., 1941, 3 Cir., 129 F.2d 227, cert. denied, 317 U.S. 672,

[*]As to the "falsity of the publication" angle, it was conceded at trial that appellee's charge of infringement against appellant was finally adjudicated in appellant's favor (201 F.2d 674) and thus the falsity of appellee's said charge was *judicially established*.

and E. Edelmann & Co. v. Triple-A Specialty Co., supra. The emphasis of appellant is on the point that at trial appellee failed to establish that appellant did infringe its Marx patent; that appellee was therefore liable in damages because of its earlier false though honestly believed charge of infringement, and its later unsuccessful suit against appellent for infringement (in which its counterclaim pleaded infringement in this litigation). Thus appellee's published and false notices of infringement became actionable because done with *malice in law* which is implied from the bare publication thereof.

In Part II of this opinion we consider the issues of law which arose out of the factual situation portrayed in Part I.

Part II

As appears below, the initial problem to be considered is which substantive law should be applied to the above noted fact situation so far as it pertains to the issue of liability of Printing Arts for making known to members of the photoengraving trade certain charges of infringement against Kemart. This issue (of liability) arose out of a separate claim in Kemart's petition for declaratory judgment, as noted in Part I of this opinion.

It is clear that in any event, the lower court had jurisdiction as to Kemart's cause of action based on liability of Printing Arts since there did in fact exist a diversity of citizenship between the parties, but other grounds for jurisdiction may also be persent. Though these additional grounds in no way affect the primary power of the District Court to act in the matter, they raised a problem as to the proper substantive law to be applied to the facts of the case.

It is clear that if the jurisdiction of the lower court was based solely upon the ground of diversity of citizenship, the proper law to be applied is that of the state wherein the district court is located. Erie v. Tompkins, 304 U.S. 64, 78; Klaxon Co. v. Stentor Electric Mfg. Co., 313 U.S. 487. However, two theories

are advanced to support the proposition that a case of the nature now before us is controlled by federal substantive law.

First, appellant contends that the Convention for the Protection of Industrial Property of the Union of Paris, as amended (53 Stats. at L. 1748 et seq., hereafter Paris Convention), sets out a substantive law of unfair competition which is controlling over all state laws.

Article 1 of the Paris Convention (53 Stats. at L. 1772) states in part:

> "(2) The scope of the protection of industrial property shall include * * * the repression of unfair competition."

Article 2 makes the provisions of the Paris Convention applicable to the nationals of the signatory countries within their respective nations. It provides for the enjoyment by the said nationals of all the rights presently granted by their respective laws "without any prejudice to the rights specially provided for by the present convention * * *."

In expanding upon the reference in Article 1 to "unfair competition," Article 10Bis (53 Stats. at L. 1780) provides:

> "(1) The countries of the Union are bound to assure to nationals of countries of the Union an effective protection against unfair competition.
>
> * * * * * *
>
> "(3) The following particularly are to be forbidden:
>
> * * * * * *
>
> "2. False allegations in the conduct of trade of a nature to discredit the establishment, the goods, or the services of a competitor."

In this connection appellant contends:

(1) that the Paris Convention is part of the controlling domestic law of the United States;

(2) that by the Paris Convention's silence, it *eliminates* the defenses of good faith and privilege raised by appellee here. We cannot agree.

Assuming, arguendo, that the Paris Convention is a part of the controlling domestic law of the land, it is clear that it was

not intended to preclude any and all defenses of privilege for false statements concerning a competitor's product. If such defenses were precluded, the protection given by an American patent would be effectively diminished and thereby give rise to a serious constitutional question.

Appellant's contention (that the failure of the Paris Convention to mention privilege as a defense) forces the untenable conclusion that *no* such defenses were to be allowed. If such an interpretation of the Paris Convention were to prevail it would necessarily be applicable to all defenses of privilege whether they be "absolute" or "qualified". Thus, under appellant's interpretation, a patentee would be precluded from bringing a suit charging infringement unless he was willing to run the risk of being held liable for damages in the event he failed to prove his charge. The basis upon which such an action for damages would be brought against the unsuccessful litigant could be *the allegation of infringement appearing in his complaint*. Clearly the ratifiers or implementers of the Paris Convention never intended to exclude privilege which protects allegations in a complaint. Such, however, would be the result (in the absence of subsequent domestic legislation) were we to apply what seems to be appellant's interpretation of the application of 10Bis.

We can only conclude that the Paris Convention was not intended to define the substantive law in the area of "unfair competition" of the signatory countries, but rather to set out the broad basic principles under which the laws of the said countries would operate. In this country it has long been the rule that false allegations concerning a competitor's products are "unfair" *unless* the specific allegations are privileged. The Paris Convention neither adds nor substracts from that rule and is not applicable to the instant case.

The second possible theory under which federal substantive law could be applied to the facts of the instant case would seem to rest upon jurisdiction arising under 28 U.S.C.A. § 1338(b) which provides:

> "The district courts shall have original jurisdiction of any civil action asserting a claim of *unfair competition* when joined with a substantial and related claim under the copyright, *patent* or trade mark laws." [Emphasis supplied.]

Certain decisions arising under the foregoing section find the rule of Erie v. Tompkins, supra, inapplicable and resort to pre-Erie federal case law. Bulova v. Stolzberg, 69 F.Supp. 543, 546; Carter Products v. Colgate-Palmolive Co., 130 F.Supp. 557, 571, affirmed without mention of this point, 230 F.2d 855, cert. den. 352 U.S. 843, rehearing den., 352 U.S. 913. The prevailing view, however, is that the rule of Erie v. Tompkins is applicable to the *unfair competition* issue raised under 1338(b) even though federal law is applicable to the "related claim under the copyright, patent or trade mark laws." Time, Inc. v. Viobin (7 Cir.) 128 F 2d 860, 862, cert. den. 317 U.S. 673; Rytex Co. v. Ryan (7 Cir.) 126 F 2d 952, 954; Maternally Yours v. Your Maternity Shop (2 Cir.) 324 F.2d 538, 540; cf. Philco Corp. v. Phillips Mfg. Co. (Cir. 7) 133 F.2d 663.[9]

We conclude that regardless of whether appellant's cause of action for damages arising out of Printing Arts' allegedly "wrongful acts and doings" was one of "unfair competition" appended (by virtue of 28 U.S.C.A. 1338(b)) to its claim arising under the patent laws, or was one of libel having standing in

[9]It has been stated that this court is not in accord with this view, but rather is of the opinion that § 44 of the Lanham Act, 15 U.S.C.A. § 1126 creates a "substantive federal law of unfair competition wherever interstate commerce is involved," Maternally Yours v. Your Maternity Shop, (2d Cir.) supra 540 (footnote 1) citing Stauffer v. Exley, (9 Cir.) 184 F.2d 962 and Pagliero v. Wallace China Co., (9 Cir.) 198 F.2d 339. We do not find it necessary to decide, at this time, whether this is indeed the view of this court under circumstances involving common law trade marks. The Stauffer case is self-limiting when it states at p. 965:

> "The protection granted by the Lanham Act against unfair competition, however, is limited by § 1126(h) of the Act to 'the remedies provided in this chapter for *infringement of marks* * * * so far as they may be appropriate in repressing acts of unfair competition.' * * *" [Emphasis added.]

the court below solely by virtue of the diversity of citizenship between the parties, the applicable law is that of the state of the forum.

It is settled (and was so held by the lower court) that when a federal district court applies the substantive law of the state of the forum, the conflict of laws rules of that state are applicable, Erie R. Co. v. Tompkins, supra; Klaxon Co. v. Stentor Electric Mfg. Co., supra, at p. 496. Under the law of California, a tort action is governed by the law of the place where the tort is committed, Loranger v. Nadeau, 215 Cal. 362, 10 P.2d 63, 65; Wallan v. Rankin, (9 Cir.) 173 F.2d 488, 490.

On the point just above mentioned appellant contends that the tort here in question was committed in the State of Ohio and indeed there is evidence in the record that one publication (the first) of the offensive charge of patent infringement was actually made by Printing Arts in 1948, in the State of Ohio. In fact, this 1948 publication was the only publication of the charge of patent infringement which was made by Printing Arts prior to the instigation of the Kemart suit. However, it should be noted that whatever the damages to Kemart shown in the record, they did not flow from this publication. There is no evidence whatever in the record that the publication of Printing Arts' claim of infringement by Kemart at the 1948 Cleveland Convention resulted in any actual damage to Kemart.

To the contrary, there is no hint of unfavorable feeling toward Kemart by its customers *prior* to November 23, 1948, at which time the above noted Kemart letter advised its licensees of its then commencement of the present litigation. All evidence related to the cancellation of Kemart licenses, or refusal to enter into license agreements, concerns incidents which occurred *subsequent* to the publication of the May, 1949, issue of the Photoengravers Bulletin and is directly attributable to Printing Arts' charge of patent infringement which appeared in that issue of the Bul-

letin, or in subsequent publications of the complained-of disparaging material.

It is clear, therefore, that more than one allegedly wrongful act is involved in the proof appearing in the record. The first publication, be it either a libel or an "injurious falsehood" in the nature of unfair competition, occurred at the Cleveland Convention, but no special damages to Kemart are shown to have resulted from this Ohio incident. The subsequent publications appeared in various issues of trade magazines (i.e., The Photoengravers Bulletin, The National Lithographer and the "Research Bulletin" of the ANPA; see note 5) distributed on a *national scale* to members of the Photoengravers trade and to publishers using a photoengraving process. It is from these latter publications that any damage to Kemart shown in the record, actually occurred.

Regardless of the applicable state law, the problem presented by the facts shown here must be handled in essentially the same manner. It is clear from the record (and is not challenged by the parties) that all the publications attributable to Printing Arts were disparaging either to the "person" or the property of Kemart. The lower court found that, with regard to each of these publications, Printing Arts acted without malice in an effort to protect what it reasonably believed to be its valid and existing property rights. These efforts were reasonably calculated to adequately protect its claimed rights without *unnecessary* damage to the parties concerned. In this manner the elements of the defense of privilege were brought into the record.[10]

[10]Appellant challenges the finding of the trial court that the charges were published in good faith and without malice on the ground that the charge was based upon the advice of interested counsel. Appellant asserts that "advice of counsel" is *not a defense* in a libel action.

However, the basis of Printing Arts' defense, as indicated by the record, is that of "privilege" rather than advice of counsel. As will be discussed later in this opinion, the absence of "actual malice" is one of the elements of this defense (privilege). Proof of "advice of counsel" was introduced in testimony and exhibits by Printing Arts to indicate its lack of "actual

Although this defense was not pleaded by appellee at the commencement of this action, the trial court correctly ruled that this failure shall not affect the decision of those issues when they are tried "by the express or implied consent of the parties . . .". Fed. R. Civ. Proc. 15(b).

The law of Ohio (which is clearly applicable to the claim arising from the first (1948) publication) does not preclude the defense of privilege. The case of Watson v. Trask, supra, heavily relied upon by appellant, merely holds that to charge a man with patent infringement is a libel. That case does *not* stand for the proposition that such a libel may not be qualifiedly or absolutely privileged. Nor do the other cases cited by appellant *preclude the defense of privilege.* Appellant's primary argument is to the effect that the "defense of good faith" is precluded by Ohio law. *This is not the issue.* Good faith is not the defense raised, rather it is merely an important element or part of the *qualified privilege* which is here claimed as a defense by appellee.

It is the general rule in the United States that a qualified privilege is recognized in cases where the publisher and the recipient of the publication have a common interest which might be reasonably believed to be protected or furthered by the publication and the publication is made reasonably and in good faith. Prosser, *Handbook of the Law of Torts* (2d ed., 1955) pp. 606, 618-619. This privilege has been recognized in Ohio, De Angelo v. W. T. Grant, 111 N.E. 2d 773; McKenna v. Mansfield Leland Hotel Co., 9 N.E. 2d 166. Though these cases involve disparagements made by an employer concerning an em-

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malice" in the present case. If appellee believed its charge of infringement to be true, and if it was reasonable for it to so believe, there was no "actual malice" on its part, hence one of the required elements of the defense of "privilege" was established. The fact that McCaleb informed Marx of his (McCaleb's) belief that the Kemart process infringed the Marx Patent and that McCaleb was an experienced and otherwise qualified patent attorney, was merely evidentiary of the fact that Marx believed the charge to be true, and further, that since at least one qualified patent attorney believed it to be true, it was reasonable for Marx to so believe.

ployee, the *privilege* involved is the same as that involved in the instant case. Both Printing Arts (the publisher) and the recipient members of the photoengraving industry attending the convention had an interest (in this case a pecuniary interest) in the subject matter of the publication. Nor is the fact that the De Angelo and McKenna cases involved "slander" rather than "libel" of importance in determining the *existence* of a privilege.

The record shows that, as to the (1948) Ohio publication, Printing Arts was well within the recognized privilege. There being no showing of "actual malice" or absence of good faith on the part of Printing Arts, and the publication being limited to interested parties, it is clear that there was no overstepping of the privilege. Therefore, appellee cannot be held liable for this particular publication.

The second and apparently most important publication by Printing Arts was made in the May, 1949, issue of the Photoengraver's Bulletin, a trade journal which circulates to "everyone in the industry". Subsequent publications were also made, one in the June, 1950, issue of the aforementioned Bulletin and a second in the National Lithographer for the same month.[3] This latter magazine is the equivalent trade journal for lithographers.

The record and exhibits before this court do not reveal the publishing data for all the journals in which the complained of charges of patent infringement appeared. However, an issue of the Photoengravers Bulletin for July of 1947 which appears among the exhibits, indicates that the actual printing of the Bulletin takes place in the State of Illinois. At any rate, it is clear from the testimony in the record that all of the magazines involved are circulated nationally to members of the respective trade groups. Though undoubtedly this included some persons in Ohio, it also included recipients throughout the nation. As to these later disparagements, they must be regarded as "multi-state" in nature without an easily locatable situs of applicable law.

The problem of determining the applicable substantive state law to be applied to a multi-state publication of claimed defamatory material is not a new one but the solutions reached by the cases have been far from uniform. In federal courts, the cases have ranged all the way from requiring the trial court to determine and apply the law of each jurisdiction in which a claimed defamation was published (Hartman v. Time, Inc., 166 F.2d 127, cert. den. 334 U.S. 838); through the application of the law of the plaintiff's place of domicile (Estill v. Hearst Pub. Co., 186 F.2d 1017), to a complete ignoring of the problem with a resultant application of the law of the forum (Spanel v. Pegler, 160 F.2d 619). Nor have the law reviews been silent on the subject.[11] Though not in agreement as to what is the best solution as the law presently stands, the authors appear to be in general agreement that a federal statute would provide the only real solution to the problem. Unfortunately, Congress has not yet acted. Nor does there appear to be an applicable decision in the State of California to direct us as to which of the mass of confusing, conflicting and contradictory rules we should apply.

In the instant case, both parties have strong contacts with the State of California. Appellant (plaintiff below) is a California corporation and though appellee is a Delaware corporation, both parties have their principal place of business in the State of California. The trial forum was a California federal court. Publication of the disparaging material being nation-wide, it seems apparent that the criticized publications did occur in California. Lastly, the record indicates that some damage to Kemart may have occurred in California.

Although certain of the contacts of the contending parties are not limited to the State of California (i.e., publication and damages), no other jurisdiction can claim any of the other men-

[11] Prosser, "Interstate Publication", 51 Mich L R 959, lists 10 different systems which have been used or suggested for making the "choice of law" in these problems. See also: 14 Ohio State L.R. 96; 28 NYU LR 1006.

tioned contacts of forum, principal place of business of both parties, and the domicile of the plaintiff.

It is clear from the above that the State of California is the state having the closest relationship to the parties involved in the present litigation and has contacts with the subject matter of the litigation concerning the publications of the charge of patent infringement subsequent to the publication at the Cleveland Convention, equal or superior to any other state. Thus it is only fitting and proper that the law of California should be the substantive law governing this litigation.[12]

The law of California is clear in respect to privileged publications of claimed defamatory material. Section 47 of the California Civil Code provides:

"A privileged publication or broadcast is one made—

* * * * *

"3. In a communication, without malice, to a person interested therein, (1) by one who is also interested * * *"

In the instant case, the publisher of the claimed defamation (Printing Arts) is the holder of a competing patent. The recipients of the claimed defamatory publications were the present and the prospective licensees of the here competing patent owners.

[12]This technique of determining the applicable state law is similar in nature to the rule applied in Dale System v. General Teleradio, 105 F.Supp. 745, 748, 749, wherein the court listed five "dominant contacts". (1) "Substantive law of the forum"; (2) "Place of last event"; (3) "Point of origination"; (4) "State of principal circulation"; and (5) "Domicile of the plaintiff." The court, in the Dale case found three of these "contacts" to be unequivocally in the State of New York and therefore applied the law of that state. In the instant case, only two of the "dominant contacts" used in Dale System are unequivocally within California (i.e., forum and domicile of the plaintiff), but of the remaining three, only one of these may be placed "unequivocally" in another jurisdiction (i.e., "point of origination" -Illinois). In addition, California is the location of the principal place of business of both of the parties. It would seem that the here "dominant contacts" are firmly lodged in the State of California.

The Supreme Court has used a similar method of selecting applicable law in an admiralty case. Lauritzen v. Larsen, 345 U.S. 571.

Both are financially interested in the subject matter of the claimed defamation and thus clearly come within the terms of the stated privilege. It is unnecessary to determine whether the tort involved in the instant case is one for unfair competition or one for libel since the California courts have applied the above statutory privilege to both types of wrongs.[13]

Since the claimed defamations appearing in the Bulletin and the other "trade" journals were privileged, it was necessary for Kemart, in order to prevail, to show "actual malice" as distinguished from malice inferred from the false communication in and of itself. Cal. Civil Code § 48;[14] Brewer v. Second Baptist Church of Los Angeles, 32 Cal. 2d 791, 197 P.2d 713; Miles v. Rosenthal, 90 C.A. 390, 266 Pac. 320. The "actual malice" required to overcome the statutory privilege is to be distinguished from that sometimes inferred from the intentional doing of a wrongful act without justification. Snively v. Record Pub. Co., 198 Pac. 1, 185 Cal. 565; Harris v. Curtis Pub. Co., 49 C.A. 2d 340, 121 P.2d 761. In the instant case, the trial court made a specific finding that no such malice existed on the part of Printing Arts and that the said Printing Arts had reasonable cause to believe that its charge of patent infringement by the Kemart process was true. The only conclusion which this court can reach is that Printing Arts was qualifiedly privileged in making the complained-of publications and that this privilege was not overcome by an adequate showing of malice. Printing Arts cannot, therefore, be held liable for the damage flowing from those publications.

Turning now to appellant's contention that the trial court erred in failing to award appellant attorney's fees as provided in 35

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[13]Applied to unfair competition, Gudger v. Manton, 21 Cal. 2d 537, 134 P.2d 217; applied to libel, Brewer v. Second Baptist Church of Los Angeles, 32 Cal.2d 791, 197 P.2d 713; Shoemaker v. Friedberg, 80 C.A. 2d 911, 183 P.2d 318.

[14]Cal. Civ. Code § 48 "In the case provided for in subdivision 3 of the preceding section [Cal. Civ. Code § 47(3)] cited supra, malice is not inferred from the communication."

U.S.C.A. § 285, we find no error in the lower court's denial of such fees.

Section 285 provides for the award of attorney's fees only in exceptional cases. Determining whether a given case is an "exceptional" one is a decision within the discretion of the trial judge, Jacquard Knitting Mach. Co. v. Ordnance Gauge Co., 213 F.2d 503, 509, and this court will reverse such a determination only when there has been a clear abuse of discretion "amounting to caprice or an erroneous conception of law on the part of the trial court." Photochart v. Photo Patrol, 9 Cir., 189 F.2d 625, 629, cert. denied, 342 U.S. 867, rehearing denied, 342 U.S. 907.

Judge Hastie, writing for this court in Park-In-Theatres v. Perkins, supra, indicates that it is incumbent upon the trial court to apply a "strict standard in finding cause adequate to justify an allowance of attorney's fees." He states, at p. 142:

> "The exercise of discretion in favor of such an allowance should be bottomed upon a finding of unfairness or bad faith in the conduct of the losing party, or some other equitable consideration of similar force, which makes it grossly unjust that the winner of the particular lawsuit be left to bear the burden of his own counsel fees which prevailing litigants normally bear."[15]

In its opinion, the trial court held that the appellee acted in a reasonable manner before, during and after the trial of the infringement issue. [See 146 F.Supp. 21, 24.] We find no reason to disagree with the conclusion of the trial judge and the finding in accord with it. Though certain testimony of one of appellee's witnesses, with reference to his qualifications, is to be criticized, the incident was not of a character which would justify us in holding that the trial court abused its discretion in disallowing attorney's fees. Nor do we feel that the representations concerning the state of the prior art which were made by appellee at the

[15] See also Faulkner v. Gibbs, (9 Cir.) 199 F.2d 635, 641-642, affirmed 338 U.S. 267, rehearing denied, 338 U.S. 896.

trial of the infringement issue, were such as to give rise to the "unfairness or bad faith in the conduct of the losing party" or the "other equitable consideration of similar force" necessary to bring the present case within the "exceptional cases" included in the statute. We conclude that the trial court exercised his discretion properly.

The judgment is affirmed.

(Endorsed:) Opinion. Filed June 17, 1959.

PAUL P. O'BRIEN, *Clerk*.

Appendix B

Excerpts from Treaty Signed at London Conference June 2, 1934

Convention between the United States of America and other powers for the protection of industrial property, revising the Paris convention of March 20, 1883, revised at Brussels on December 14, 1900, at Washington on June 2, 1911, and at The Hague on November 6, 1925. Signed at London June 2, 1934; ratification advised by the Senate June 5, 1935; ratified by the President June 27, 1935; ratification of the United States of America deposited at London July 12, 1935; proclaimed October 28, 1938.

(53 STATS. 1748)

* * * * * * *

Now, Therefore, be it known that I, Franklin D. Roosevelt, President of the United States of America, have caused the said convention to be made public to the end that the same and every article and clause thereof may be observed and fulfilled in good faith by the United States of America and the citizens thereof. (1767)

* * * * * * *

ARTICLE 1

* * * * * * *

(2) The scope of the protection of industrial property shall include patents, utility models, industrial designs and models, trade marks, commercial names and indications of origin, or appellations of origin, as well as the repression of unfair competition. (1772)

* * * * * * *

ARTICLE 2

(1) Nationals of each of the countries of the Union shall, in all other countries of the Union, as regards the protection of industrial property, enjoy the advantages that their respective laws now grant, or may hereafter grant, to their own nationals,

without any prejudice to the rights specially provided for by the present convention. Consequently they shall have the same protection as the latter, and the same legal remedy against any infringement of their rights, provided they observe the conditions and formalities imposed upon nationals. (1772)

* * * * * * *

ARTICLE 10 *bis*

(1) The countries of the Union are bound to assure to nationals of countries of the Union an effective protection against unfair competition.

(2) Any act of competition contrary to honest practice in industrial or commercial matters constitutes an act of unfair competition.

(3) The following particularly are to be forbidden:

1°. All acts whatsoever of a nature to create confusion in any way whatsoever with the establishment, the goods, or the services of the competitor;

2°. False allegations in the conduct of trade of a nature to discredit the establishment, the goods, or the services of a competitor.

ARTICLE 10 *ter*

(1) The countries of the Union undertake to assure to the nationals of other countries of the Union appropriate legal remedies to repress effectively all acts set forth in articles 9, 10, and 10 bis.

(2) They undertake, moreover, to provide measures to permit syndicates and associations representing the manufacturers, producers, or merchants interested, and of which the existence is not contrary to the laws of their country, to take action in justice or before the administrative authorities, with a view to the repression of the acts set forth in articles 9, 10, and 10 bis, so far as the law of the country in which protection is claimed permits such action to the syndicates and associations of that country. (1780)

* * * * * * *

ARTICLE 14

(1) The present convention shall be submitted to periodical revisions with a view to the introduction therein of amendments calculated to improve the system of the Union. (1782)

* * * * * * *

ARTICLE 15

It is agreed that the countries of the Union respectively reserve to themselves the right to make separately as between themselves special arrangements for the protection of industrial property insofar as such arrangements do not contravene the provisions of the present convention. (1782)

* * * * * * *

ARTICLE 17

The execution of the reciprocal engagements contained in the present convention shall be subordinated, insofar as necessary, to the observance of the formalities and rules established by the constitutional laws of those of the countries of the Union which are bound to enforce the same, which they undertake to do with as little delay as possible. (1783)

Appendix C

Excerpts from "An Act To provide for the registration and protection of trade-marks used in commerce, to carry out the provisions of certain international conventions, and for other purposes."

(60 Stats. 427)

Sec. 44(b). Persons who are nationals of, domiciled in, or have a bona fide and effective business or commercial establishment in any foreign country, which is a party to (1) the International Convention for the Protection of Industrial Property, signed at Paris on March 20, 1883; or (2) the General Inter-American

Convention for Trade Mark and Commercial Protection signed at Washington on February 20, 1929; or (3) any other convention or treaty relating to trade-marks, trade or commercial names, or the repression of unfair competition to which the United States is a party, shall be entitled to the benefits and subject to the provisions of this Act to the extent and under the conditions essential to give effect to any such conventions and treaties so long as the United States shall continue to be a party thereto, except as provided in the following paragraphs of this section. (442)

* * * * * * *

Sec. 44(h). Any person designated in paragraph (b) of this section as entitled to the benefits and subject to the provisions of this Act shall be entitled to effective protection against unfair competition, and the remedies provided herein for infringement of marks shall be available so far as they may be appropriate in repressing acts of unfair competition. (443)

Sec. 44(i). Citizens or residents of the United States shall have the same benefits as are granted by this section to persons described in paragraph (b) hereof. (443)

Sec. 45. * * * The intent of this Act is to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce; to protect registered marks used in such commerce from interference by State, or territorial legislation; to protect persons engaged in such commerce against unfair competition; to prevent fraud and deception in such commerce by the use of reproductions, copies, counterfeits, or colorable imitations of registered marks; and to provide rights and remedies stipulated by treaties and conventions respecting trade-marks, trade names, and unfair competition entered into between the United States and foreign nations. (444)

Appendix D

GROWTH AND DEVELOPMENT OF UNFAIR COMPETITION ASPECTS OF THE PARIS CONVENTION

Paris Convention March 20, 1883 Ratified March 29, 1887 (25 Stats. 1372)	Brussels Conference December 14, 1900 Ratified April 16, 1901 (32 Stats. 1936)	Washington Conference June 2, 1911 Ratified June 20, 1912 (38 Stats. 1645)	The Hague Conference November 6, 1925 Ratified December 27, 1930 (47 Stats. 1789)	London Conference June 2, 1934 Ratified June 27, 1935 (53 Stats. 1748)	Lisbon Conference October 31, 1958 Not yet ratified (XLI J.P.O.S., No. 2)
			1. * * * The scope of the protection of industrial property includes patents, utility models, industrial designs and models, trade marks, commercial names and indications of origin, or appellations of origin, as well as the repression of unfair competition.	1(2) The scope of the protection of industrial property shall include patents, utility models, industrial designs and models, trade marks, commercial names and indications of origin, or appellations of origin, as well as the repression of unfair competition.	1(2) The protection of industrial property is concerned with patents, utility models, industrial designs, trademarks, seryice marks, trade names, and indications of source or appellations of origin, and the repression of unfair competition.
II. The subjects or citizens of each of the contracting States shall enjoy, in all the other States of the Union, so far as concerns patents for inventions, trade or commercial marks, and the commercial name, the advantages that the respective laws thereof at present accord, or shall afterwards accord to subjects or citizens. In consequence they shall have the same protection as these latter, and the same legal recourse against all infringements of their rights, under reserve of complying with the formalities and conditions imposed upon subjects or citizens by the domestic legislation of each State.	(Unchanged)	2. The subjects or citizens of each of the contracting countries shall enjoy, in all the other countries of the Union, with regard to patents of invention, models of utility, industrial designs or models, trademarks, trade names, the statements of place of origin, suppression of unfair competition, the advantages which the respective laws now grant or may hereafter grant to the citizens of that country. Consequently, they shall have the same protection as the latter and the same legal remedies against any infringements of their rights, provided they comply with the formalities and requirements imposed by the National laws of each State upon its own citizens. Any obligation of domicile or of establishment in the country where the protection is claimed shall not be imposed on the members of the Union.	2. Nationals of each of the contracting countries shall, in all other countries of the Union, as regards the protection of industrial property, enjoy the advantages that their respective laws now grant, or may hereafter grant, to their own nationals, without any prejudice of the rights specially provided by the present convention. Consequently they shall have the same protection as the latter, and the same legal remedy against any infringement of their rights, provided they observe the conditions and formalities imposed on subjects or citizens.	2(1) Nationals of each of the countries of the Union shall, in all other countries of the Union, as regards the protection of industrial property, enjoy the advantages that their respective laws now grant, or may hereafter grant, to their own nationals, without any prejudice to the rights specially provided for by the present convention. Consequently they shall have the same protection as the latter, and the same legal remedy against any infringement of their rights, provided they observe the conditions and formalities imposed upon nationals.	2(1) Nationals of each of the countries of the Union shall, as regards the protection of industrial property, enjoy in all the other countries of the Union the advantages that their respective laws now grant, or may hereafter grant, to their own nationals, without prejudice to the rights specially provided by the present Convention. Consequently, they shall have the same protection as the latter and the same legal remedy against any infringement of their rights, provided they observe the conditions, and formalities imposed upon nationals.
	10 Bis. Those entitled of right under the Convention (art 2 and 3), shall enjoy, in all the States of the Union, the protection accorded to citizens or subjects against unfair competition.	10½. All the contracting countries agree to assure to the members of the Union an effective protection against unfair competition.	10. Bis. The contracting countries are bound to assure to nationals of the Union an effective protection against unfair competition.	10 Bis(1) The countries of the Union are bound to assure to nationals of countries of the Union an effective protection against unfair competition.	10 Bis(1) The countries of the Union are bound to assure to persons entitled to the benefits of the Union effective protection against unfair competition.

			Every act of competition contrary to honest practice in industrial or commercial matters constitutes an act of unfair competition.	(2) Any act of competition contrary to honest practice in industrial or commercial matters constitutes an act of unfair competition.	(2) Any act of [illegible] contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition.
			The following particularly are to be forbidden:	(3) The following particularly are to be forbidden:	(3) The following in particular shall be prohibited:
			(1) All acts whatsoever of a nature to create confusion by no matter what means with the goods of a competitor.	1. All acts whatsoever of a nature to create confusion in any way whatsoever with the establishment, the goods, or the services of the competitor;	1. all acts of such a nature as to create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities of a competitor;
			(2) False allegations, in the course of trade, of a nature to discredit the goods of a competitor.	2. False allegations in the conduct of trade of a nature to discredit the establishment, the goods, or the services of a competitor.	2. false allegations in the course of trade which are of such a nature as to discredit the establishment, the goods, or the industrial or commercial activities of a competitor;
					3. indications or allegations the use of which in the course of trade is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose or the quantity of the goods.
			10. Ter. The contracting countries undertake to assure to the nationals of other countries of the Union appropriate legal remedies to repress effectively all acts set forth in articles 9, 10, and 10 bis.	10 Ter(1) The countries of the Union undertake to assure to the nationals of other countries of the Union appropriate legal remedies to repress effectively all acts set forth in articles 9, 10, and 10 bis.	10 Ter(1) The countries of the Union undertake to provide nationals of the other countries of the Union with appropriate legal remedies to repress effectively all the acts referred to in Articles 9, 10, and 10 bis.
			They undertake, moreover, to provide measures to permit syndicates and associations representing the industry or the trade interested, and of which the existence is not contrary to the laws of their country, to take action in justice or before the administrative authorities, in view of the repression of the acts set forth in articles 9, 10, and 10 bis, so far as the law of the country in which protection is claimed permits it to the syndicates and associations of that country.	(2) They undertake, moreover, to provide measures to permit syndicates and associations representing the manufacturers, producers or merchants interested, and of which the existence is not contrary to the laws of their country, to take action in justice or before the administrative authorities, with a view to the repression of the acts set forth in articles 9, 10, and 10 bis, so far as the law of the country in which protection is claimed permits such action to the syndicates and associations of that country.	(2) They undertake, further, to provide measures to permit syndicates and associations which represent the industrialists, producers or traders concerned and the existence of which is not contrary to the laws of their country, to take action in the Courts or before the administrative authorities, with a view of the repression of the acts referred to in Articles 9, 10 and 10 bis, in so far as the law of the country in which protection is claimed allows such action by the syndicates and associations of that country.
XIV. The present convention shall be submitted to periodical revisions for the purpose of introducing improvements calculated to perfect the system of the Union.	14. The present Convention shall be submitted to periodical revision for the purpose of introducing improvements calculated to perfect the system of the Union.	14. The present Convention shall be submitted to periodical revisions with a view to introducing improvements in it of a nature to perfect the system of the Union.	14. The present convention shall be submitted to periodical revisions with a view to the introduction of amendments calculated to improve the system of the Union.	14(1) The present convention shall be submitted to periodical revisions with a view to the introduction therein of amendments calculated to improve the system of the Union.	14(1) The present Convention shall be submitted to periodical revision with a view to the introduction of amendments designed to improve the system of the Union.
XV. It is understood that the High Contracting parties respectively reserve the right to make, separately, between themselves, special arrangements for the protection of industrial property, so far as these arrangements shall not interfere with the provisions [illegible] convention.	(Unchanged)	15. It is understood that the contracting countries reserve to themselves respectively the right to make separately, between themselves, special arrangements for the protection of industrial Property, in so far as these arrangements may not interfere with the provisions of the present [illegible]	15. It is agreed that the contracting countries respectively reserve to themselves the right to make separately, as between themselves, special arrangements for the protection of industrial property, in so far as such arrangements do not contravene the provisions of the present convention.	15. It is agreed that the countries of the Union respectively reserve to themselves the right to make separately as between themselves special arrangements for the protection of industrial property insofar as such arrangements do not contravene the provisions of the present convention.	15. It is understood that the countries of the Union reserve the right to make separately between themselves special arrangements for the protection of industrial property, in so far as these arrangements do not contravene the provisions of the present Convention.

			competitor.	goods, or the services of the competitor;	mercial activities of a competitor;
XIV. The present convention shall be submitted to periodical revisions for the purpose of introducing improvements calculated to perfect the system of the Union.	14. The present Convention shall be submitted to periodical revision for the purpose of introducing improvements calculated to perfect the system of the Union.	14. The present Convention shall be submitted to periodical revisions with a view to introducing improvements in it of a nature to perfect the system of the Union.	14. The present convention shall be submitted to periodical revisions with a view to the introduction of amendments calculated to improve the system of the Union.	14. The present convention shall be submitted to periodical revisions with a view to the introduction therein of amendments calculated to improve the system of the Union.	tion shall be submitted to periodical revision with a view to the introduction of amendments designed to improve the system of the Union.
XV. It is understood that the High Contracting parties respectively reserve the right to make, separately, between themselves, special arrangements for the protection of industrial property, so far as these arrangements shall not interfere with the provisions of the present convention.	(Unchanged)	15. It is understood that the contracting countries reserve to themselves respectively the right to make separately, between themselves, special arrangements for the protection of industrial Property, in so far as these arrangements may not interfere with the provisions of the present Convention.	15. It is agreed that the contracting countries respectively reserve to themselves the right to make separately, as between themselves, special arrangements for the protection of industrial property, in so far as such arrangements do not contravene the provisions of the present convention.	15. It is agreed that the countries of the Union respectively reserve to themselves the right to make separately as between themselves special arrangements for the protection of industrial property insofar as such arrangements do not contravene the provisions of the present convention.	15. It is understood that the countries of the Union reserve the right to make separately between themselves special arrangements for the protection of industrial property, in so far as these arrangements do not contravene the provisions of the present Convention.
XVII. The execution of the reciprocal engagements contained in the present Convention is subordinated so far as needful, to the accomplishment of the formalities and rules established by the constitutional laws of such of the High Contracting parties as are bound to ask the application thereof, which they agree to do within the shortest delay possible.	(Unchanged)	17. The fulfillment of the reciprocal obligations contained in the present Convention is subordinated, in so far as need be, to compliance with the formalities and regulations established by the constitutional laws of those of the contracting countries which are bound to secure the application of the same which they engage to do with the least possible delay.	17. The execution of the reciprocal engagements contained in the present convention is subordinated, in so far as necessary, to the observance of the formalities and rules established by the constitutional laws of those of the contracting countries which are bound to procure the application of the same, which they engage to do with as little delay as possible.	17. The execution of the reciprocal engagements contained in the present convention shall be subordinated, insofar as necessary, to the observance of the formalities and rules established by the constitutional laws of those of the countries of the Union which are bound to enforce the same, which they undertake to do with as little delay as possible.	17. Any country party to this Convention undertakes to adopt, in accordance with its constitution, the measures necessary to ensure the application of this Convention. It is understood that at the time an instrument of ratification or accession is deposited on behalf of a country, such country will be in a position under its domestic law to give effect to the terms of this Convention.

Appendix E

Excerpts from Commentary on The Lanham Trade-Mark Act by Daphne Robert as reproduced in United States Code Annotated, Title 15, Sections 81 to 1113, Pages 265, 284 to 286.

The Congressional Committee reports indicate an intention to expand the rights in registered marks and to broaden their protection; and nowhere is this intention more specifically set out than in the Act itself. Congress wrote into the Act the following:

> "The intent of this Act is to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce; to protect registered marks used in such commerce from interference by State or territorial legislation; to protect persons engaged in such commerce against unfair competition; to prevent fraud and deception in such commerce by the use of reproductions, copies, counterfeits or colorable limitations of registered marks; and to provide rights and remedies stipulated by treaties and conventions respecting trade-marks, trade names and unfair competition entered into between the United States and foreign nations."

It will be noted from this statement of intent that Congress intended to occupy the entire field with respect to marks used in commerce, as well as to provide remedies against unfair competition, irrespective of whether a registered mark is involved or not. Deceptive and misleading uses of marks in commerce are actionable, and persons engaged in commerce are protected under the Act from unfair competition; and the remedies provided for infringement are made available to obtain such protection. This, perhaps, is the most far-reaching change in remedial advantages which are available under the new Act.

Actions to suppress unfair competition have heretofore arisen under the common law or under such State statutes as may have been in existence. There has been no Federal statute on the

general subject. Prior to the decision of the Supreme Court in the Erie v. Tompkins case, 58 S.Ct. 817, 304 U.S. 64, a substantial body of Federal case law had been built up; but after the Court's holding that there is no general Federal common law, protection from unfair competition was available only under State statutes or State case law. The result has been a checkerboard of rights and a checkerboard of protection. With this background, Congress recognized the need for uniform protection—particularly since foreign nationals were entitled to uniform protection under the international conventions. The new Act gives to citizens and residents of the United States the same protection against unfair competition as has been afforded foreign nationals under the conventions, and the acts which are made unlawful are those set out in the conventions. An examination of the International Convention, as amended at London, shows the following to be acts of unfair competition against which relief will be granted:

1. Every act of competition contrary to honest practice in industrial or commercial matters;
2. All acts whatsoever of a nature to create confusion by no matter what means with the establishment, the goods, or the services of a competitor; and
3. False allegations in the course of trade of a nature to discredit the establishment, the goods, or the services of a competitor.

The Inter-American Convention declares the following acts to be unjust and prohibited:

1. Every act or deed contrary to commercial good faith or to the normal and honorable development of industrial or business activities;
2. Acts calculated directly or indirectly to represent that the goods or business of one person are the goods or business of another, whether by the appropriation or simulation of trade-marks, symbols, distinctive names, the

imitation of labels, wrappers, containers, commercial names, or other means of identification;

3. Use of false descriptions of goods, by words, symbols or other means, tending to deceive the public with respect to the nature, quality, or utility of the goods;
4. Use of false indications of geographical origin or source of goods, by words, symbols, or other means which tend to deceive the public;
5. To sell or offer for sale any product of such form or appearance that even though it does not bear directly or indirectly an indication of origin or source, gives or produces, either by pictures, ornaments or language employed, the impression that it is a product originating in a foreign country; and
6. Any other act or deed contrary to good faith in industrial, commercial or agricultural matters which, because of its nature or purpose, may be considered analogous or similar to any of the foregoing.

This constitutes the Federal code of unfair competition under the new statute and the Federal Courts have jurisdiction of all actions to enjoin any of such acts, irrespective of the amount in controversy or diversity of citizenship of the parties. Suits involving any of the acts of unfair competition set out above are suits arising under Federal law. The force of the decisions of the courts of the various States and the obligation of the Federal Courts to apply them are now removed as they have been supplanted by Federal statute.

Appendix F

Translation from Official "Actes de la Conference Reunie a la Haye" (R. 59-61)

"2. DISPARAGEMENT

"The proposition of inserting in article 10 a disposition aimed at the repression of disparagement has been approved by all the delegations. In effect, the act of formulating or spreading affirmations and allegations (that are) false and of a nature to carry damage to the reputation of a competitor or of his establishment or of his merchandise is everywhere considered as contrary to honest usage, and incompatible with the good order of trade. There have been however some difficulties in reaching an understanding on the definition and limitations of this kind of unfair competition.

"Several Delegations, notably those of Great Britain and the United States, have made the observation that in their country defamation (libel) falls under the disposition of penal laws, and that there is no cause set forth on the subject of special dispositions aimed at the defamation of a competitor. It has been replied that the notion of disparagement is broader than that of defamation, notably that it does not imply an injurious intention. That which one wished to hit is the fact of discrediting a competitor by affirmations contrary to the truth. On the observation to the French delegation that it is possible to disparage a competitor by prejudicial criticisms and comparisons without being strictly contrary to the truth, it was replied that in an International Convention the sure and precise criterion of the letter contrary to the truth seems indispensable. From another side one has observed that it did not seem either useful or necessary to set forth particular measures near to the fact of discrediting the person or the same establishment, and that it would suffice to hit the fact of discrediting the merchandise.

"The Sub-Commission is united in this thought. It has resulted in the following text, adopted unanimously: False allegations in the course of trade, of a nature to discredit the merchandise or products of a competitor."